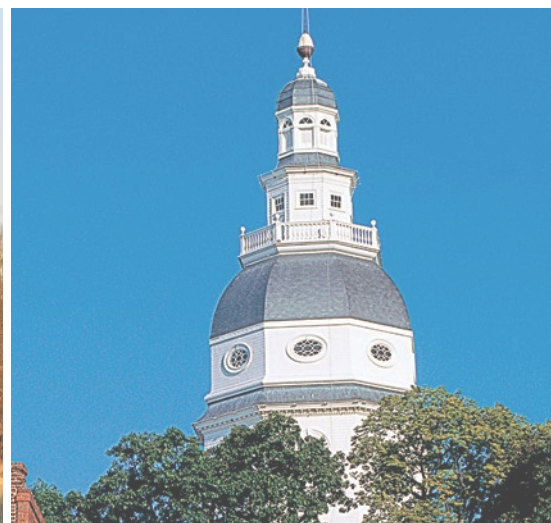




**MARYLAND LOTTERY AND
GAMING CONTROL AGENCY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

ENTERPRISE FUND OF THE STATE OF MARYLAND



**When you play,
everybody wins.**

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MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY, AN ENTERPRISE FUND OF THE STATE OF MARYLAND
Comprehensive Annual Financial Report for the Years Ended June 30, 2014 and 2013.





COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

ENTERPRISE FUND OF THE STATE OF MARYLAND

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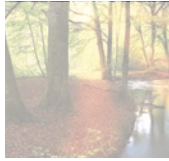


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INTRODUCTORY SECTION

IN FISCAL YEAR 2014, THE MARYLAND LOTTERY AND GAMING CONTROL AGENCY (MLGCA) CELEBRATED 40 YEARS OF SUPPORTING MARYLANDERS. THE MLGCA IS THE FOURTH LARGEST CONTRIBUTOR TO THE STATE AFTER INDIVIDUAL TAX, CORPORATE TAX, AND SALES AND USE TAX.

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Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



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Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

December 23, 2014

The Honorable Martin O'Malley, Governor
Maryland Lottery and Gaming Control Commission

INTRODUCTION

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Maryland Lottery and Gaming Control Agency (MLGCA) for the fiscal years ended June 30, 2013 and June 30, 2014. This report has been prepared by the Accounting Department of the MLGCA. Responsibility for both the accuracy of the financial data and the completeness and fairness of presentation, including all disclosures, rests solely with the MLGCA. To the best of our knowledge and belief, the enclosed data is accurate and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the MLGCA. All disclosures necessary to enable the reader to gain an understanding of the MLGCA's financial activities have been included.

Presented in this report is information about the MLGCA, an independent agency of the State of Maryland. The MLGCA was established by the Maryland General Assembly through the enactment of Chapter 365 of Laws of Maryland of 1972 and the voters' approval that same year of a constitutional amendment. The amendment was ratified on November 7, 1972, and operations commenced on January 2, 1973. During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of Video Lottery Terminals (VLTs) in the State subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs in the State. On August 14, 2012, Senate Bill 1 – Gaming Expansion – Video Lottery Terminals and Table Games – passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions that were subject to voter referendum passed during the November 6, 2012 election and allowed for a sixth casino, increased the number of VLTs allowed in the State from 15,000 to 16,500, established table games and allowed for 24-7 operations. The MLGCA, in conjunction with a seven-member Commission, serves as the regulator of the gaming program and provides guidance to the lottery operations.

The MLGCA is an enterprise fund of the State and is included in the State's Comprehensive Annual Financial Report. MLGCA activity is reported as a major enterprise fund type and includes all activity for which the MLGCA is financially accountable.

This letter of transmittal is designed to be read in conjunction with the complementary information offered in the Management's Discussion and Analysis (MD&A), which can be found immediately following the independent auditors' report.

The MLGCA is operated as a business enterprise within the framework of State laws and regulations. The mission of the MLGCA is twofold: providing revenue to the State through the sale of traditional lottery products and through the regulation of a gaming program. The MLGCA fulfills this mission by offering the sale of both draw and instant ticket games as described further on pages 14 through 18. Since its inception in 1973, traditional lottery sales have exceeded \$39.6 billion and have contributed \$13.9 billion in revenue to the State. The majority of the revenue from the traditional lottery is contributed to the State's General Fund and is used to support various programs and services, such as education, public health and safety, human resources, and the environment. In addition, the MLGCA is required by statute to contribute a defined amount of traditional lottery revenue each year to the Maryland Stadium Authority. Throughout the years, lotteries have evolved and have become more diversified offering players a variety of choices. Today, 43 states and the District of Columbia operate lotteries selling both online games and instant ticket games. During fiscal year 2014, these lotteries generated \$63.5 billion in sales. The Maryland Lottery ranked eighth among state lotteries in per capita sales during this time period.

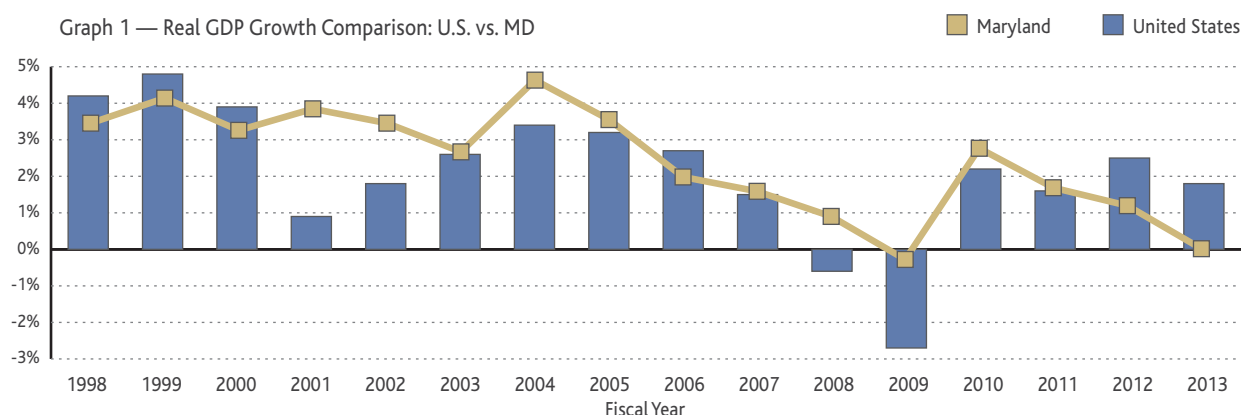
The mission of the casino gaming program is to regulate the program with the dual goals of generating revenue for the State of Maryland while maintaining integrity, transparency and fair play. Since the inception of the gaming program in 2011, video lottery gross terminal revenue generated by the casinos totals in excess of \$1.4 billion. Since the inception of table games in fiscal year 2013, revenue generated from table games totals \$303 million. The distribution of gaming revenue is directed by statute and described more fully on page 55 of this report. Today, eight state lotteries have the responsibility of regulating casino operations. During fiscal year 2014, casinos regulated by lotteries generated \$2.8 billion in government profits.

THE MARYLAND ECONOMY

The principal descriptive element of Maryland's recent economic trajectory has been the divergence between its growth and that of the nation as a whole. That is not to say that the State and national economic trajectories are normally synchronized. The difference is that generally, since the dot-com bubble, the pre-2012 divergence had been favorable to Maryland. Largely the recent relative successes of the national economy can be attributed to the strength and recovery of tangible goods producing industries, generally industries where Maryland does not have a significant footprint. Further impacting the divergent paths is the relative concentration of federal government expenditures in Maryland; sequestration and the lingering uncertainty that continues to reduce economic output in the State. As a result of these elements, the current near-term outlook points towards lesser growth for Maryland relative to the nation.

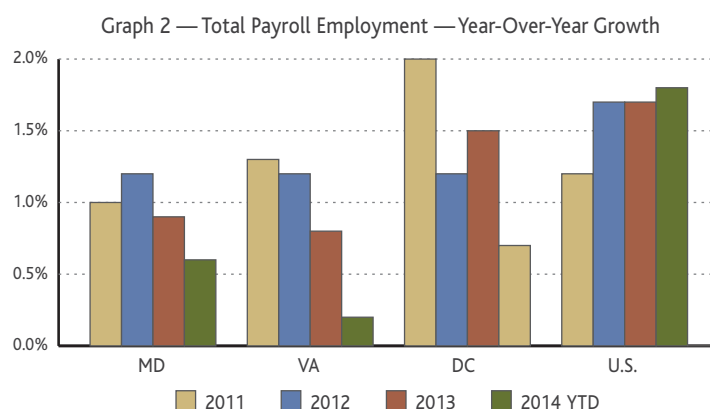
HISTORY – GROSS DOMESTIC PRODUCT

Whereas Maryland's economic growth had eclipsed national growth, as measured by real gross domestic product (GDP), in every year with one exception between 2001 and 2011, the differences in 2012 and 2013 are substantial (see Graph 1). Notably, GDP growth in Maryland was stagnant in 2013 (0.0% growth). Driving growth nationally in 2013 were the manufacturing; natural resources and mining; and real estate, rental and leasing industries.



Manufacturing has seen somewhat of a renaissance in the United States as foreign capital has grown older and shipping and labor costs have increased internationally. The natural resources and mining industry has benefited from high commodity prices as well as gas exploration and extraction; those benefits are generally concentrated in the Midwest. Interestingly, growth in this category was actually stronger in Maryland, up 12.3% versus 6.7% nationally; however, the share of the total sector is so small in Maryland, only 0.4% of total output versus 3.3% nationally, that the impact is very small for Maryland in the aggregate. Nationally, the real estate, rental and leasing industry has seen relatively strong growth since 2009, though Maryland has not been as fortunate.

The employment situation, as one would expect, is very similar to that of GDP. Maryland's employment growth in recent years has not kept pace with national employment growth. Of course, the timing may differ somewhat as employment decisions may precede or lag economic circumstances. Also, as was touched on earlier, the federal budget issues that have been depressing Maryland's growth relative to national growth are regionally acute; therefore, it is not surprising that since 2011, Maryland, Virginia and the District of Columbia have all lagged national growth (see Graph 2).



While employment in Maryland has increased, albeit at a less than desirable pace, income growth has been slow. Suppressing growth has been extraordinarily weak growth in the average wage for the last several years. In fact, between the first quarter of 2012 and the second quarter of 2014, the average wage in Maryland has increased more than 2.0% (the general barometer for inflation) only twice. This is indicative of lost purchasing power for the average wage earner. The fact that wages compose approximately 47.0% of total personal income in Maryland, along with other factors which served to restrain growth in 2013, lead to a total Maryland personal income increase of only 1.1% in 2013.

Possibly most notable of these other factors was the fiscal cliff: a general term used to define the expiration of many preferential tax rates that were set to expire at the end of 2012. An agreement was reached in the early days of 2013 that ameliorated the impact for taxpayers, though the uncertainty leading up to that period triggered a wave of income recognition. The effect was income that might have been recognized in 2013 was recognized in 2012. For example, companies paid dividends to shareholders in 2012 that would have normally been paid as the first quarterly dividend distribution for 2013. Many other types of income were affected, including capital gains, wages and proprietor income. It seems likely that future years will also have depressed income as a result of this wave of income recognition; however, the extent of the effect on future years is unknown given current data.

OUTLOOK

The official economic forecast is as follows. It should be noted that the forecasted growth rates are generally lower than those of Moody's Analytics and Global Insight:

| Calendar Year | Employment | Personal Income | Wages & Salaries |
|------------------|------------|--------------------|---------------------|
| 2014 | 0.7% | 3.3% | 3.5% |
| 2015 | 1.2% | 4.0% | 4.4% |
| 2016 | 1.4% | 4.3% | 4.4% |

Regional issues and slowing global growth will restrain Maryland employment growth in the near-term. Growth will receive a boost as the rate of federal government job losses is reduced, or at least flat lines, in the near future. Further growth is derived from continued improvement for the broader, national economy. An improving job market is expected to reduce labor market slack; thereby, increasing employer job competition and placing upward pressure on wages. Aggregate income growth benefits from increased employment as well as a moderate rebounding from the specific fiscal cliff issues that distorted growth in 2012 and 2013.

Negative risks persist and should not be ignored. The global economic situation remains desperate in some areas (Europe) and is slowing in developing countries (Brazil, Russia, India and China). Further negative developments, particularly in Europe, could slow national and Maryland economic growth. Additionally, the perennial risks remain: unrest in the Middle East; other geopolitical unrest (Russia in particular); Federal Reserve actions (possible "unwinding" of quantitative easing and raising interest rates) and demographic shifts.

On the positive side, a broader long term budget agreement, one that does not further cut discretionary spending, could provide just the type of certainty that Maryland's federal contractors need to jump start labor and capital planning decisions. Recent developments in the price of sweet crude oil (less than \$70 per barrel in first few days of December 2014) are encouraging. Reduced oil prices should provide significant savings for consumers, encouraging consumer spending, as well as reduce inflation for many goods over time. In turn, the reduced inflation expectations may support continued near-term Federal Reserve support for the economy. Additionally, the Panama Canal expansion project should complete in early 2016, and the Port of Baltimore and surrounding areas could benefit tremendously.

MARYLAND LOTTERY PRODUCTS

The MLGCA has introduced a number of different traditional lottery games since its inception and continues to provide players with the opportunity to participate in a variety of draw and instant ticket games. Draw games allow players to pick their numbers or utilize automatic computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. Instant games are played by scratching a latex covering off a play area to reveal pre-printed combinations. If a winning combination appears, the customer is an instant winner.

Traditional lottery games offered during fiscal year 2014 included the following:



FISCAL YEAR 2014 STATISTICS:

\$244.5 million in net sales

14.2% of total net sales

\$984 thousand decrease from fiscal year 2013 Pick 3 net sales

PICK 3 was introduced in July 1976 and was the first draw game offered. Players choose three numbers from zero to nine for the chance of winning prizes ranging from \$25 to \$500. Drawings are held twice daily, seven days a week.



FISCAL YEAR 2014 STATISTICS:

\$270.8 million in net sales

15.7% of total net sales

\$3.0 million increase from fiscal year 2013 Pick 4 net sales

PICK 4 was introduced in April 1983. Players choose four numbers from zero to nine for the chance of winning prizes ranging from \$100 to \$5,000. Drawings are held twice daily, seven days a week.



FISCAL YEAR 2014 STATISTICS:

\$479.6 million in net sales

27.8% of total net sales

\$6.2 million decrease from fiscal year 2013 Instant Ticket net sales

INSTANT TICKETS, also known as scratch-offs, were first introduced in 1976. Similar to today's instant ticket games, the first instant ticket game launched in Maryland provided players with the opportunity to win by scratching a latex play area. From 1976 to 1985, a limited number of instant tickets games were launched; however, by 1986, instant games were launched on a more frequent basis. During fiscal year 2014, the MLGCA launched 51 new instant ticket games.

Keno.

FISCAL YEAR 2014 STATISTICS:

\$162.0 million in net sales

9.4% of total net sales

\$19.1 million decrease from fiscal year 2013 Keno net sales

KENO is a draw game that is predominantly played in a social atmosphere, and drawings are held every four minutes. Keno was introduced in January 1993. A computer generates random sets of 20 numbers for each draw. These numbers are then displayed on a monitor. Players select from one to 10 numbers from a field of 80 numbers and win prizes ranging from \$2 to \$100,000 by matching anywhere from zero numbers to 10 numbers.



FISCAL YEAR 2014 STATISTICS:

\$32.9 million in net sales

1.9% of total net sales

\$5.4 million decrease from fiscal year 2013 Keno Bonus net sales

KENO BONUS® is a draw game that was introduced statewide in April 1999 and is sold in conjunction with Keno. By matching a Keno wager, players have an opportunity to multiply their winnings by three, four, five or 10. The multiplier is determined by a computer-generated wheel that is spun prior to each drawing. The maximum prize that can be won per game on any one Keno ticket when Keno Bonus is played is \$1 million.



FISCAL YEAR 2014 STATISTICS:

\$113.1 million in net sales

6.6% of total net sales

\$12.1 million decrease from fiscal year 2013 Keno Super Bonus net sales

KENO SUPER BONUS™ is a draw game that was introduced in June 2009 and is sold in conjunction with Keno. The amount of the Keno Super Bonus wager is twice the amount of the Keno wager. By matching a Keno wager, players have an opportunity to multiply their winnings by two, three, four, five, six, 10, 12 or 20. The multiplier is determined by a computer-generated wheel that is spun prior to each drawing and is part of the Keno Bonus wheel. The maximum prize that can be won on any Keno ticket when Keno Super Bonus is played is \$2 million.



FISCAL YEAR 2014 STATISTICS:

\$137.8 million in net sales

8.0% of total net sales

\$8.4 million increase from fiscal year 2013 Racetrax® net sales

RACETRAX® is a draw game that launched statewide in August 2006. The game is predominantly played in a social atmosphere, and drawings are held approximately every four and a half minutes. This game is a computer-animated monitor game that offers the thrill of horse racing with advanced 3-D graphic animation that results in the horses and races appearing realistic. Players select from one to 12 horses to win prizes ranging from \$1.20 to \$31,454.



FISCAL YEAR 2014 STATISTICS:

\$20.3 million in net sales

1.2% of total net sales

\$953 thousand increase from fiscal year 2013 Racetrax® Bonus net sales

RACETRAX® BONUS is a draw game that was launched statewide in August 2009 and is sold in conjunction with Racetrax. By matching a Racetrax wager, players have an opportunity to multiply their winnings by three, four, five or 10. The multiplier is determined by a computer-generated wheel that is spun prior to each drawing. The maximum prize that can be won per game on any Racetrax ticket when Racetrax Bonus is played is \$3.15 million.



FISCAL YEAR 2014 STATISTICS:

\$21.4 million in net sales

1.2% of total net sales

\$366 thousand increase from fiscal year 2013 Bonus Match 5 net sales

BONUS MATCH 5 is a draw game that was originally introduced in September 1995. The game was discontinued in January 1998 and re-introduced in February 2002. Players select or request the computer to generate five numbers from a field of 39. Players matching all five numbers, in any order, win \$50,000. In the event that there are more than 12 \$50,000 winners in one drawing, each winner will receive an equal share of the \$600,000 prize pool. Players also may win prizes ranging from \$2 to \$600. Drawings are held seven nights a week.



FISCAL YEAR 2014 STATISTICS — MEGA MILLIONS:

\$94.2 million in net sales

5.5% of total net sales

\$27.5 million increase from fiscal year 2013 Mega Millions net sales

FISCAL YEAR 2014 STATISTICS — MEGAPLIER:

\$6.3 million in net sales

0.4% of total net sales

\$2 million increase from fiscal year 2013 Megaplier net sales

MEGA MILLIONS® is a multi-state Jackpot draw game. The MLGCA began selling Mega Millions in September 1996. Currently, 46 lotteries sell Mega Millions. In October 2013, Mega Millions changed its matrix to give players better odds of winning any prize. The overall odds of winning any prize is 1 in 15. While players still select five white balls and one Mega ball, the number of white balls available to select from increased to 75, up from 56, and the number of Mega balls available to select from decreased to 15, down from 46. Jackpots now start at \$15 million, up from the previous \$12 million, and grow by a guaranteed \$5 million per draw. Players matching all numbers and the Mega ball win the Jackpot. If there are multiple winners, the Jackpot prize is divided evenly among the winners. The odds of winning the Jackpot are 1 in 259 million, up from 1 in 175 million. A second tier prize of \$1 million is now available, up from the previous \$250,000. Megaplier, a special feature that allows players to multiply their non-Jackpot winnings for an extra \$1 also changed. Players can now multiply their non-Jackpot winnings by 5 times, meaning they can win up to \$5 million. Winnings can also be multiplied by two, three or four as previously. Drawings are held on Tuesday and Friday evenings.



FISCAL YEAR 2014 STATISTICS:

\$26.7 million in net sales

1.5% of total net sales

\$2.1 million decrease from fiscal year 2013 Multi-Match net sales

MULTI-MATCH® is a Jackpot draw game that was introduced in February 2006, replacing Lotto, the MLGCA's original in-state Jackpot game. Players receive three lines of six numbers. Players choose or request the computer to generate the first line of numbers from a field of 43. The computer then generates the remaining two lines of numbers. Players matching all six numbers in a single line, in any order, win the Jackpot, which typically starts at \$500,000 and increases after each drawing, if not won. If there are multiple winners, the Jackpot is divided by the number of winners. Players can also win fixed prizes ranging from \$2 to \$3,000 by matching three or more numbers in a single line or five or more numbers in the combined lines. Multi-Match drawings are held on Monday and Thursday evenings.



FISCAL YEAR 2014 STATISTICS — POWERBALL:

\$100.8 million in net sales

5.8% of total net sales

\$25.4 million decrease from fiscal year 2013 Powerball net sales

FISCAL YEAR 2014 STATISTICS — POWER PLAY:

\$5.0 million in net sales

0.3% of total net sales

\$140 thousand decrease from fiscal year 2013 Power Play net sales

POWERBALL® is a multi-state Jackpot draw game. The MLGCA began selling Powerball/Power Play in January 2010. Currently, 47 lotteries sell Powerball/Power Play. The base price of Powerball is \$2 and has a starting Jackpot of \$40 million. In Powerball, players choose or request the computer to generate a total of six numbers from two different fields. Players pick five numbers from a field of 59 and one Powerball from a field of 39. Players matching all numbers and the Powerball win the Jackpot. If there are multiple winners, the Jackpot prize is divided evenly among all winners. The odds of winning the jackpot are 1 in 176 million. Players also can win prizes ranging from \$4 to \$1 million. **POWER PLAY®** is a special feature of Powerball that allows a winner to increase their original Powerball prize amount. For an extra \$1, Powerball players can win \$12 to \$2 million. Drawings are held on Wednesday and Saturday evenings.



FISCAL YEAR 2014 STATISTICS:

\$8.4 million in net sales

0.5% of total net sales

\$2.8 million decrease from fiscal year 2013 5 Card Cash net sales

5 CARD CASH is a draw game that launched statewide in November 2012. Players receive a \$2 ticket featuring five randomly selected cards from the standard deck of 52 playing cards. Players can win instantly if their cards show a poker hand of a pair of jacks or better. Players can win from \$3 to \$100,000. Players have a second chance to win if they match two, three, four or five randomly drawn cards in drawings held seven days a week.

Video Lottery Terminals

FISCAL YEAR 2014 STATISTICS:

\$579.1 million in gross terminal revenue

6,757 total video lottery terminals as of June 30, 2014

\$18.5 million increase from fiscal year 2013 gross terminal revenue

VIDEO LOTTERY TERMINALS were approved during the 2007 special session of the Maryland General Assembly. As of June 30, 2014, four casinos had opened and 6,757 video lottery terminals were in operation.



FISCAL YEAR 2014 STATISTICS:

\$254.9 million in revenue

227 total table games

\$206.8 million increase from fiscal year 2013 table game revenue

TABLE GAMES became operational in fiscal year 2013 after the Maryland General Assembly passed the Gaming Expansion Act, making table games available to the casinos, subject to the passage of the voter referendum. As of June 30, 2014 there were 227 table games in operation.

HIGHLIGHTS OF FISCAL YEAR 2014

Fiscal year 2014 proved to be another strong year for the MLGCA. The MLGCA generated \$1.723 billion in lottery sales and \$834.0 million in gaming revenue with combined Lottery sales and gaming revenue growing by \$19.3 million or 8.2% from fiscal year 2013.

Aside from the financial success, other significant activities and accomplishments included:

TRADITIONAL LOTTERY

- My Lottery Rewards, a customer loyalty program, launched in May 2013. Originally designed to reward scratch-off players, it was expanded to include draw games in June 2014. Players of scratch-offs and draw games are now rewarded with extra chances to win and provided the opportunity to earn rewards points — which in turn can be accumulated and exchanged for rewards merchandise or entries into prize drawings (Points for Prizes and Points for Drawings).
- On October 19, 2013, enhancements to Mega Millions were implemented across all participating States including a larger starting jackpot, faster growing jackpots, a million-dollar second tier prize and better odds of winning any prize. The starting jackpot was increased from \$12 million to \$15 million, and jackpots grow by at least \$5 million after each drawing jackpot roll. Overall odds improved to a 1 in 15 chance to win any prize.
- Graphics on Keno and Racetrax screens were updated to appeal to both current and potential new players.

- The Maryland Lottery made several technological advances to address the growing number of players accessing game information through smart phones and tablets. These updates allow players easier access to the information and features they want most, such as the number of top prizes remaining on instant tickets and an archive of previous winning numbers.
 - In November of 2013 the Maryland Lottery launched its first mobile app on both the Android and iOS platforms where players can find daily winning numbers, check current jackpots, see scratch-off details and more. As of June 30, 2014 the app had been downloaded 46,626 times.
 - The official Maryland Lottery website (mdlottery.com) was optimized to utilize responsive design resulting in a more integrated digital presence and improved user experience on mobile and tablet devices.
- The Maryland Lottery launched several innovative scratch-off products, including the first Baltimore Orioles® branded scratch-off game; the Tech the Halls “family” of instant tickets that highlight Sony branded technology prizes; and Bonus Crossword, which after purchase at retail, gives players the opportunity for extended game play online or via the mobile app downloaded to their mobile device.
- In February 2014, the MLGCA awarded a contract for the Instant Ticket Lottery Machines (ITLMs) to be placed at qualified veterans’ organizations. The ITLM is a modern gaming vending machine with spinning video reel animation. The first ITLMs are expected to be rolled out to qualified organizations in September 2014. A portion of the proceeds from these machines will go to the Veterans’ Trust Fund.

CASINOS

In fiscal year 2014, The MLGCA prepared for two major future events.

- 1) The opening of Maryland’s fifth casino, the Horseshoe Baltimore in summer of 2014. As the fiscal year ended, final preparations were being made in earnest for the August Opening in Downtown Baltimore for the Caesar’s Entertainment Corporation property.
- 2) The opening of Maryland’s sixth and final casino, which was licensed to MGM Resorts International after an extensive competitive review from three bidders in 2013. MGM has broken ground on the \$925 million casino complex at National Harbor in Prince George’s County with the opening tentatively scheduled for summer 2016 and to be called MGM National Harbor.

RESPONSIBLE GAMING

As part of its corporate responsibility initiatives, the MLGCA participated or led a number of programs to communicate the need to play responsibly.

- The MLGCA continued to operate a Voluntary Exclusion Program (VEP), which allows individuals to ban themselves from Maryland casinos and from participation in traditional lottery games. More than 710 individuals have signed up to date.
- The MLGCA also participated in a consortium of North American Lotteries during the 2013 Holiday season to deliver public service announcements to remind players that lottery tickets are not appropriate gifts for anyone under 18 years old.

- The MLGCA worked closely with Horseshoe Casino Baltimore in fiscal year 2014 to incorporate Responsible Gaming messages and policies into a variety of communications materials to be ready for distribution from the outset of the Horseshoe Baltimore opening scheduled for early fiscal year 2015.
- The MLGCA, in conjunction with the Responsible Gambling Committee of the North American State and Provincial Lotteries and the Maryland Alliance for Responsible Gambling, helped establish policies and guidelines for lotteries across the continent.

FINANCIAL INFORMATION

ACCOUNTING SYSTEMS AND POLICIES

The MLGCA operates enterprise activities, which include sales of instant and draw game tickets, the regulation of gaming operations, and the related supporting functions: personnel, finance, administration, marketing, security, information technology and licensing. No general government functions or operations are managed by the MLGCA or included in this report. The MLGCA, like a private business, utilizes the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

BUDGETARY SYSTEMS AND CONTROLS

Budgetary control for all State agencies is maintained through the Governor's approval and the enactment of the State's budget by the General Assembly. Each year, the MLGCA submits its budget to the Governor for approval. The budget includes all costs to operate the traditional lottery and to regulate gaming operations. Excluded from the budget are lottery prizes paid to winners, commissions paid to lottery retailers and commissions paid to casino operators. Lottery prizes and commissions are funded from the sale of lottery tickets and are not included as part of the annual budget submitted for approval. Commissions paid to the casino operators are funded from the VLT and table game revenue.

The Governor, in turn, submits the budget for the entire State (including the MLGCA's budget) to the General Assembly for enactment. The MLGCA's official budget, as enacted by the General Assembly, is divided among the various divisions within the MLGCA. These divisions are responsible for monitoring expenditures within their division in order to ensure expenditures do not exceed the amount budgeted. Encumbrance accounting is utilized whereby purchase orders, contracts and other commitments are treated as expenditures for budgetary purposes. The MLGCA's Budget Department is responsible for monitoring the entire budget, including the budgeted funds allocated to the various divisions, in order to ensure that the total expenditures (including encumbrances) do not exceed the approved budget without first obtaining the approval of the Governor and the General Assembly.

DEBT ADMINISTRATION

The MLGCA's long-term liabilities are primarily payments owed to Jackpot and lifetime winners and capital lease obligations. The payments due to winners are fully funded by amounts invested primarily in United States Government Agency Obligations (coupon bonds). Some investments also

are held in annuity contracts. Capital lease obligations are for lottery gaming equipment and video lottery terminals leased through the State Treasurer's Office and the VLT manufacturers.

INTERNAL CONTROL ENVIRONMENT

Management of the MLGCA is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that the accounting system allows compilation of accurate and timely financial information. The structure is designed to provide reasonable assurance that these objectives are met.

To enhance controls over accounting procedures, the MLGCA has segregated the following functions: personnel, payroll, purchasing, accounts payable, accounts receivable and general ledger accounting. Data input and processing are separate from system programming with management providing approval and oversight. In addition, an internal auditor reviews all areas of the MLGCA and reports jointly to the Director and to the Commission.

Since the MLGCA manages instant tickets, controls the disbursement of lottery prizes and is responsible for the regulation of the casinos, the following steps have been taken to ensure the operations remain secure and meet the highest ethical standards:

- employing specialized enforcement staff who are present at the casinos on a 24-hours-a-day/7-days-a-week basis;
- maintaining secure facilities and limiting access to them;
- performing background checks on retailers, vendors, employees and anyone that wants to obtain a gaming license;
- printing lottery tickets with special security features;
- performing unannounced inspections at the drawing studio to ensure compliance with established operating procedures;
- processing daily transactional data of all vendor activity by MLGCA personnel using internal control system programs and reconciling transactions to reports generated by the online lottery gaming vendor;
- comparing, on a daily basis, gross terminal revenue recorded on the MLGCA's central system to gross terminal revenue reported by the casinos' slot accounting systems and reconciling any differences;
- employing auditors at the casinos to ensure table game revenue is accurately accounted for and that the casinos are adhering to the required internal controls; and
- providing a variety of access and other controls in the MLGCA's computer systems.

The MLGCA has 328 employees, most of whom are located at the MLGCA's headquarters in Baltimore. The drawing studio is located at the broadcast facility of a television station located in Baltimore, Maryland, which produces the nightly drawings and Multi-Match drawings. Keno and Racetrax drawings are conducted by random number generators and are maintained and secured at

the lottery draw game vendor's office located in Baltimore, Maryland. Mega Millions and Powerball drawings are held in Ohio and Florida, respectively.

FUTURE PROJECTS

Fiscal year 2015 will be a challenging year for the MLGCA as it will strive to continue to exceed the high level of State contributions achieved in FY 2014, which were driven in part by the addition of table games at 3 of the State's 4 casinos. Listed below are a few projected highlights of the plan to achieve revenue goals.

Traditional Lottery:

- A new game, Monopoly Millionaires' Club, will launch in October 2014. This \$5 multi-state draw game is expected to generate more simultaneous millionaires than any other game in lottery history. Players can win up to a \$15 million top prize or a separate \$1 million dollar prize in a weekly drawing or a trip to Las Vegas and the chance to appear on a TV game show with the chance to win \$1 million in a second chance drawing.
- Changes to Powerball will be implemented. Power Play, formerly an add-on multiplier feature to the game, will now be included at no cost. In addition, there will be a new add-on draw option for \$1 that gives players another chance to match their numbers to a second set of numbers that will be randomly drawn after the initial drawing. The secondary draw will pay out \$1 million to players whose numbers match and is expected to boost game sales, which have been lagging most likely due to jackpot fatigue.
- The MLGCA will potentially launch several innovative scratch-off products in the year ahead which will include Big Play Crossword, the first flip out panel instant ticket with 3 crossword games, and the Monopoly Family, a line extension to the popular licensed property.
- Another major initiative in fiscal year 2015 will be to update and enhance the winning numbers module for the Keno and Racetrax games to allow easier player access and a better experience on both desktop computers and mobile devices. Players will still purchase at retail, but will now have an enhanced opportunity to view the games and their results on the go.
- Keno will be a key focus in general as the Lottery develops additional strategies to reinvigorate this mature game.

Casino Gaming:

- The opening of the Horseshoe Casino in Baltimore in 2014 will add a 5th Casino to the State of Maryland and come with the opportunity to increase State contributions balanced by any cannibalization of revenues from existing facilities.

INDEPENDENT AUDIT

The MLGCA has contracted with an independent certified public accounting firm to perform an annual audit of the MLGCA. The independent auditors' opinions on the MLGCA's financial statements and internal controls are included in the financial section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MLGCA for its CAFR for the fiscal year ended June 30, 2013. This marked the tenth consecutive year the MLGCA received this prestigious national award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The MLGCA believes its current CAFR continues to meet Certificate of Achievement Program requirements and is submitting it to the GFOA to determine eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Accounting Department. A special note of thanks also is given to the MLGCA's Creative Services Division and current creative services partner for assisting in the layout of this report; Andrew Schaufele, Director of the State's Bureau of Revenue Estimates, for his assistance in providing information concerning the Maryland economy; and the MLGCA's independent auditors for providing assistance in developing this report.

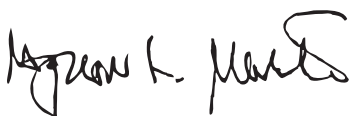
This Comprehensive Annual Financial Report reflects the MLGCA's commitment to maintaining its financial statements and record-keeping systems in conformance with the highest standards of accountability.

Respectfully Submitted,

MARYLAND LOTTERY AND GAMING CONTROL AGENCY



Gina M. Smith, CPA
Deputy Director and Chief Financial Officer



Stephen L. Martino
Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

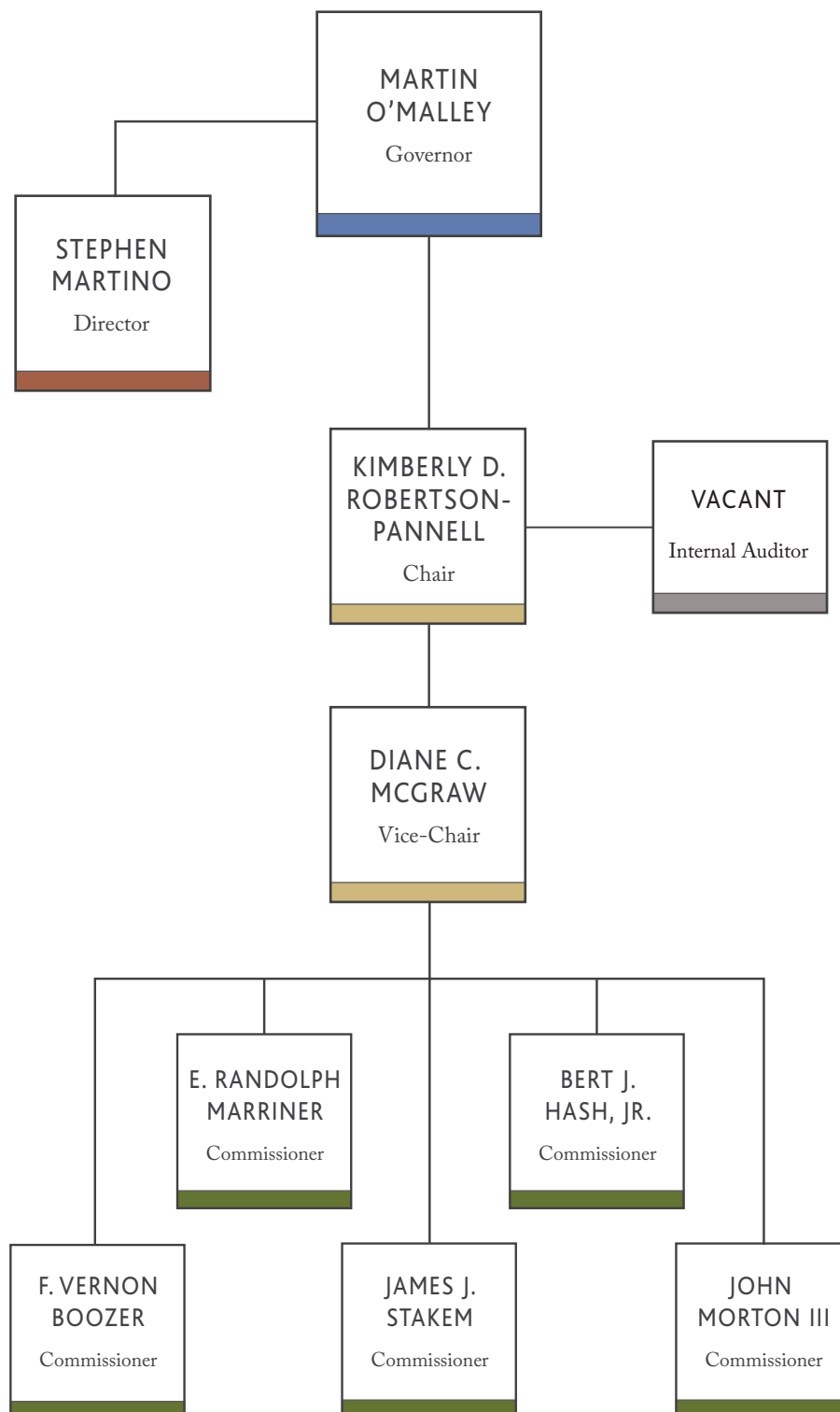
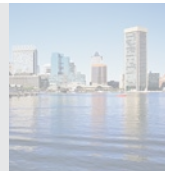
**Maryland Lottery
and Gaming Control Agency**

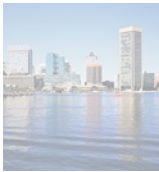
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

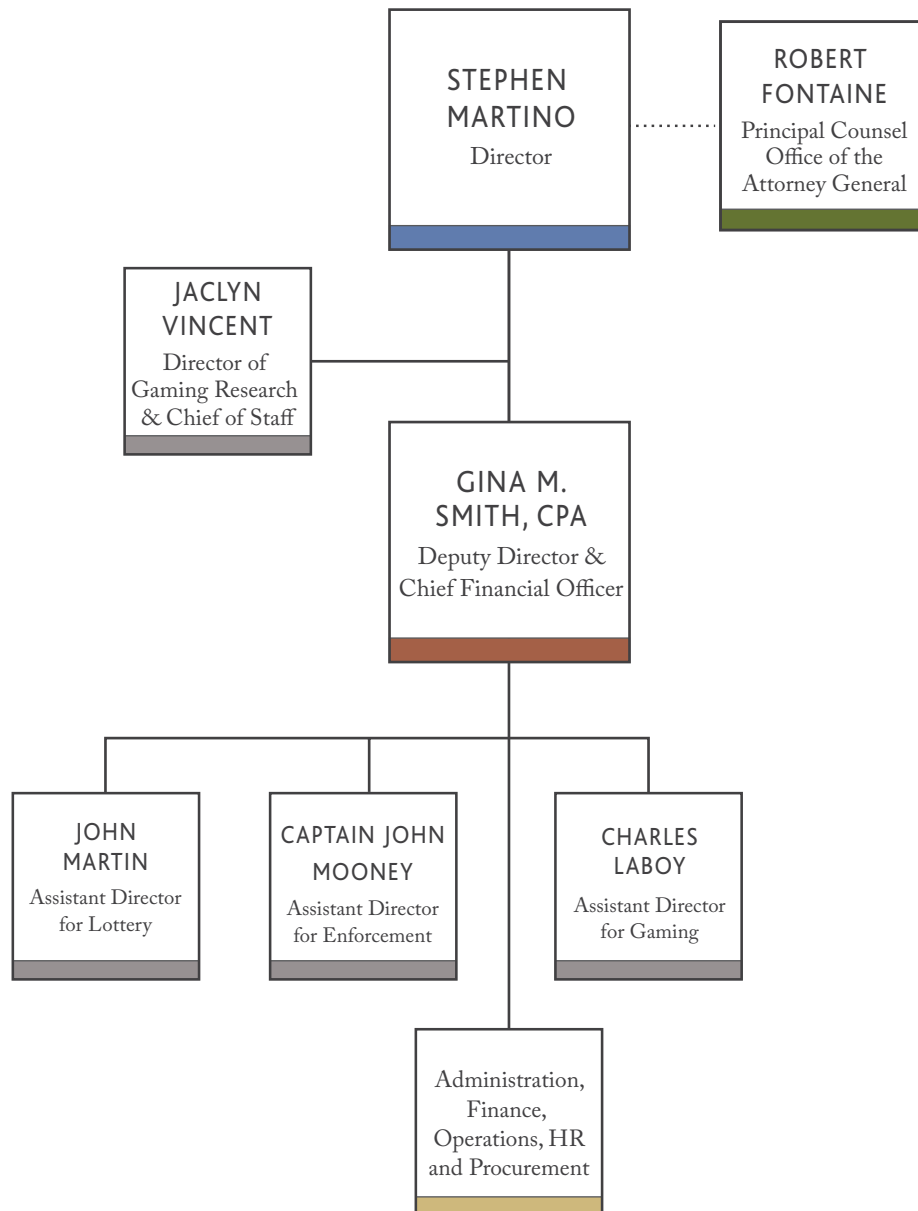
Executive Director/CEO

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
PRINCIPAL OFFICIALS AS OF JUNE 30, 2014





MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
ORGANIZATIONAL CHART AS OF JUNE 30, 2014



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FINANCIAL SECTION

IN FISCAL YEAR 2014, THE MLGCA CONTRIBUTED MORE THAN \$521.1 MILLION TO THE STATE OF MARYLAND IN LOTTERY REVENUE. CASINO GAMING ACTIVITIES CONTRIBUTED MORE THAN \$420 MILLION TO OTHER GOVERNMENTAL FUNDS.

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INDEPENDENT AUDITORS' REPORT

To the Maryland Lottery and Gaming Control Agency:

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents. These financial statements are the responsibility of the Maryland Lottery and Gaming Control Agency's management. Our responsibility is to express an opinion on the financial statements based on our audits.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Lottery and Gaming Control Agency, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BASIS OF ACCOUNTING

As discussed in Note 1, the financial statements of the Maryland Lottery and Gaming Control Agency are intended to present the financial position and the changes in financial position and cash flows, where applicable, of the Maryland Lottery and Gaming Control Agency. They do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 34 through 48 and 73 through 74, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maryland Lottery and Gaming Control Agency's basic financial statements.

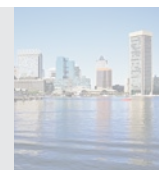
The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Maryland Lottery and Gaming Control Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Maryland Lottery and Gaming Control Agency's internal control over financial reporting and compliance.

Stout, Causey & Horning, P.A.

September 30, 2014



The following Management's Discussion and Analysis (MD&A) provides an overview of the Maryland Lottery and Gaming Control Agency's (Agency) performance for the fiscal years ended June 30, 2014 and 2013. As you read the MD&A, 2014 refers to the fiscal year ended June 30, 2014, 2013 refers to the fiscal year ended June 30, 2013 and 2012 refers to the fiscal year ended June 30, 2012. The information contained in the MD&A should be read in conjunction with the information contained in the financial statements and notes to the financial statements, which begins on page 49.

FINANCIAL HIGHLIGHTS

- Net lottery sales were \$1.723 billion in 2014, a decrease of \$32.13 million or 1.83% compared to 2013 which decreased \$38.8 million or 2.16% as compared to 2012.
- Cost of sales increased by \$169.1 million or 11.99% in 2014 compared to 2013 which increased \$135.4 million or 10.62% compared to 2012. The major reason for the increase in both years was related to increased commissions paid to casino operators. In 2014, there were four casinos with a full year of operations for both video lottery terminals (VLTs) and table games. In 2013, there were three casinos with a full year of operations and a fourth casino which opened in May 2013 compared to two casinos with a full year of operation in 2012. In addition, table games were launched in the second half of 2013. Casino operators receive a share of revenue generated from both the VLTs and the table games. The overall increase in both years was slightly offset by a decrease in lottery prizes due to players in both years. Prizes due to players generally decrease as lottery sales decrease.
- Operating expenses increased by \$4.8 million or 4.21% in 2014 compared to 2013 which increased \$58.3 million or 103.43% compared to 2012. The increase in operating expenses in both years is attributed to the costs incurred to regulate the casinos.
- Transfers to the State of Maryland and the Stadium Authority from lottery proceeds in 2014 were \$521.1 million, a decrease of \$24.1 million or 4.42% as compared to 2013 which decreased \$11 million or 1.98% as compared to 2012.
- Gross video lottery terminal revenue was \$579.1 million in 2014, an increase of \$18.45 million or 3.29% as compared to 2013 which increased \$365.6 million or 187.39% as compared to 2012.
- Table game revenue was \$254.9 million in 2014, an increase of \$206.83 million or 430.56% compared to 2013. Table games debuted in the second half of 2013.
- Transfers to various State agencies from video lottery terminal and table game revenue in 2014 totaled \$420.6 million in 2014, an increase of \$44.1 million or 11.71% compared to 2013 which increased \$247.6 million or 192.16% as compared to 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Maryland Lottery and Gaming Control Agency is an independent agency of the State of Maryland (the State) that was created to generate revenue through the operation of a lottery. On November 4, 2008, a constitutional amendment was approved by voters which set up broad parameters for the



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

operations of VLTs and the establishment of five VLT Facility locations (referred to as casinos) in the State. During the 2012 Second Special Session of the Maryland General Assembly, legislation passed, subject to voter referendum, that allowed, among other things, the implementation of table games as well as a sixth casino. During the November 2012 election, voters approved both table games and the sixth casino. The Agency is responsible for regulating the operations of the casinos. As of June 30, 2014, there were four casinos operating in the state with 6,757 VLTs and 227 table games.

The Agency is accounted for as a proprietary-type enterprise fund using the accrual basis of accounting, similar to a private business entity.

Financial Statements

The financial statements included in this report are: the statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. The statements of net position present the assets and liabilities of the Agency with the difference between the two being reported as net position. The statements of revenues, expenses, and changes in net position report the revenues and expenses of the Agency and are used to measure the success of its operations for a given period of time as it relates to contributions to the State of Maryland and other government agencies. The statements of cash flows reconcile the changes in cash and cash equivalents with the activities of the Agency for the periods presented. The activities are classified as operating, noncapital financing, capital and related financing, and investing.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 53 to 72 of this report.

FINANCIAL ANALYSIS

Table 1 is a summarized version of the statements of net position as of June 30, 2014, 2013 and 2012. The table reflects the Agency's overall change in financial resources and claims on those resources. The majority of the assets consist of cash held by the State Treasury, investments, accounts receivable and cash and cash equivalents – gaming. The Agency's investments and the majority of accounts receivable, as well as the majority of cash held by the State Treasury, are used to pay Agency winners or are transferred as income to the State of Maryland. The remaining portion of cash held by the State Treasury is gaming revenue that is to be transferred to other government agencies. The majority of the cash and cash equivalents – gaming are the operator license fees that were received from applicants applying for casino licenses. Most liabilities represent prize awards payables, annuities payable, amounts due to the State of Maryland, amounts due to other government agencies and escrow payables related to gaming.

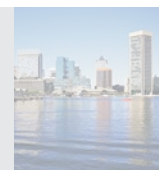


Table 1 — Net Position (in thousands)

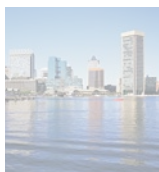
| | 2014 | 2013 | 2012 |
|----------------------------------|-------------------|-------------------|-------------------|
| Current Assets | \$ 190,342 | \$ 222,418 | \$ 176,533 |
| Other Non-Current Assets | 36,251 | 45,933 | 59,192 |
| Capital Assets, net | 10,526 | 23,826 | 49,230 |
| Total Assets | \$ 237,119 | \$ 292,177 | \$ 284,955 |
| Current Liabilities | \$ 189,291 | \$ 231,987 | \$ 194,516 |
| Non-Current Liabilities | 39,648 | 55,212 | 78,282 |
| Total Liabilities | \$ 228,939 | \$ 287,199 | \$ 272,798 |
| Net Position | | | |
| Net Investment in capital assets | \$ (6,955) | \$ (7,197) | \$ (6,983) |
| Unrestricted | 15,135 | 12,175 | 19,140 |
| Total Net Position | \$ 8,180 | \$ 4,978 | \$ 12,157 |

Current Assets

The Agency's current assets decreased by \$32.1 million or 14.42% in 2014 compared to 2013 which increased by \$45.9 million or 25.99% compared to 2012. The corresponding decreases and increases are as follows:

Cash and cash equivalents – gaming decreased by \$30.5 million or 39.63% in 2014 compared to 2013 which increased \$48.7 million or 172.47% compared to 2012. Cash and cash equivalents – gaming are primarily the funds received from applicants who applied for a casino operator license and to a lesser, extent, funds received from entities and individuals seeking to receive a gaming license. In 2014, an award was made to a successful bidder for the sixth casino and upon award, license fees totaling \$31.5 million were returned to the two unsuccessful bidders. The increase in 2013 is primarily related to license fees received for the sixth casino which was authorized during the 2012 Special Session of the Maryland General Assembly. In February 2013, a request for proposals was released for a sixth casino site located in Prince George's County. The law requires bidders to submit an initial license fee of \$3 million for every 500 VLTs proposed. License fees totaling \$53.1 million were received from three interested bidders. The increase in license fees in 2013 was slightly offset by the transfer of \$2.1 million to the Education Trust Fund after the award for the casino license to Rocky Gap Casino Resort.

Accounts receivable decreased by \$14.1 million or 31.59% in 2014 compared to 2013 which increased by \$3.3 million or 7.9% in 2013 compared to 2012. Accounts receivable is primarily comprised of amounts due from lottery retailers from the sale of lottery tickets and revenue due from the casino operators. Accounts receivable from lottery retailers decreased by \$10.4 million or 28.31% compared to 2013 which increased \$780,000 or 2.16% compared to 2012. On a weekly basis, amounts due from retailers are collected electronically from the retailers' bank accounts. In 2014, one day's worth of sales activity was waiting to be collected compared to seven days in 2013 and six days in 2012.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Assets (continued)

Accounts receivable from casino operators decreased by \$3.8 million or 47.44% in 2014 compared to 2013 which increased \$2.5 million or 46.28% compared to 2012. On a daily basis, the gross terminal revenue and table game revenue generated by the casinos is electronically transferred to the Agency. The decrease in 2014 compared to 2013 was the result of two days' worth of table game revenue waiting to be transferred at the end of 2014 compared to seven days at the end of 2013. The increase in 2013 was due to four casinos generating revenue on June 30, 2013 compared to three casinos generating revenue on June 30, 2012. Furthermore, seven days of table game revenue was waiting to be transferred at the end of June 2013.

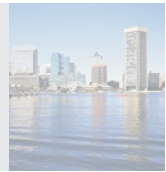
The current portion of investments for annuity payments decreased by \$2.6 million or 19.34% compared to 2013 which decreased by \$3.6 million or 21.47% from 2012. The continued decreases during these years resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired.

The decrease in current assets was partially offset by an increase in cash held with the State Treasury. Cash held with the State Treasury increased by \$14.9 million or 17.5% in 2014 compared to 2013 which decreased by \$1.7 million or 1.93% compared to 2012. Cash held with the State Treasury primarily represents cash received from lottery retailers from the sale of lottery tickets, cash received from casinos for the revenue generated by gaming operations, income waiting to be transferred to the State from the lottery and gaming proceeds, unpaid prizes and unclaimed prizes. Changes in these balances have a corresponding effect on the Agency's cash position. The increase in 2014 from 2013 is the result of receiving an additional week of lottery sales transfers from the retailers and an increase in gaming revenue. The decrease from 2013 to 2012 is the result of both lottery and gaming revenue being less in June 2013 than in June 2012.

Non-Current Assets

The Agency's non-current assets consists of investments for annuity payments, net of current portion and capital assets, net of depreciation. Non-current assets decreased by \$23.0 million or 33.95% in 2014 compared to 2013 which decreased by \$38.7 million or 35.66% compared to 2012.

Capital assets, net of depreciation decreased by \$13.3 million or 55.82% compared to 2013 which decreased by \$25.4 million or 51.60% compared to 2012. The decrease in 2014 is attributed to the amortization of VLTs that are treated as capital leases. The decrease in 2014 was less than the decrease between 2013 and 2012 as a portion of these VLTs became fully amortized in 2014. The decrease in 2013 is attributed to a full year's worth of depreciation for certain VLTs that are treated as capital leases. Under the law, the Agency is required to own or lease the VLTs that are in the casinos. Owned VLTs are capitalized at cost and depreciated over a five-year period. Certain VLTs are leased and are treated as capital leases. These VLTs have a guaranteed lease period ranging from 12 to 18 months and are capitalized at the lower of their fair market value or present value of minimum lease



payments and are amortized over their guaranteed lease period. Details of capital assets, additions and depreciation are included in Note 4 to the financial statements, on page 65.

Non-Current Assets (continued)

The Agency's investments for annuity payments, net of current portion, decreased by \$9.7 million or 21.08% in 2014 compared to 2013 which decreased by \$13.3 million or 22.40% as compared to 2012. These continued decreases resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that have expired.

Current Liabilities

Current liabilities decreased by \$42.7 million or 18.40% in 2014 compared to 2013 which increased by \$37.5 million or 19.26% compared to 2012. The majority of the decrease in 2014 relates to the decrease in Gaming escrow payable. Gaming escrow payable decreased by \$31.5 million or 41.60% in 2014 compared to 2013 which increased by \$48.0 million or 173.65% compared to 2012. The majority of the funds in the Gaming escrow payable account are application fees received from casino operators bidding on casinos. These fees are held in this account until an award is made to a successful bidder and then returned to unsuccessful bidders. The successful bidder's application fees are retained in this account until the casino opens to the public. During 2014, an award was made for a sixth casino. Application fees totaling \$35.0 million were returned to unsuccessful bidders. The increase in 2013 from 2012 is the result of receiving the application fees totaling \$53.1 million from three bidders for the sixth casino. The increase in 2013 was slightly offset by a transfer of \$2.1 million to the Education Trust Fund after the award for the Rocky Gap Casino Resort was made and the return of \$3 million to an unsuccessful bidder for the Baltimore City casino location.

Current portion of capital lease obligations decreased by \$4.8 million or 34.19% in 2014 compared to 2013 which decreased by \$11.8 million or 45.54% compared to 2013. The decreases in both 2014 and 2013 are attributed to the full year of amortization and the completion of amortization in 2014 of certain VLTs that met the criteria for capital leases. These machines have a guaranteed lease period ranging from 12 to 18 months and meet the criteria for a capital lease. Machine manufacturers are paid on a monthly basis.

The current portion of annuity prizes payable decreased by \$2.9 million or 21.73% in 2014 compared to 2013 which decreased by \$3.2 million or 18.87% compared to 2013. The continued decrease in the current portion of annuity prizes payable resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired.

Non-Current Liabilities

Non-current liabilities decreased by \$15.6 million or 28.19% in 2014 compared to 2013 which decreased by \$23.1 million or 29.47% compared to 2012. The decreases are primarily attributed to decreases in annuity prizes payable and capital lease obligations, net of current portion.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Annuity prizes payable decreased by \$7.5 million or 19.81% in 2014 compared to 2013 which decreased by \$9.5 million or 20.23% compared to 2012. The primary reason for these decreases is fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired. A similar decrease in non-current investments for annuity payments is discussed above.

Non-Current Liabilities (continued)

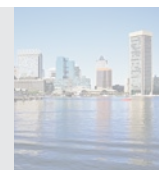
Additional information on the Agency's non-current liabilities may be found in Notes 5, 6, and 7 to the financial statements, beginning on page 66.

Capital lease obligations, net of current portion decreased by \$8.7 million or 51.56% in 2014 compared to 2013 which decreased by \$13.4 million or 44.19% compared to 2012. The decreases in both years are attributed primarily to the capital leases recognized for the VLTs leased at the casino that opened in June 2012 which have a specified lease period of 12 to 18 months. The decreases were a result of the scheduled lease payments made during the years and the remaining lease payments becoming current.

Net Position

Net position increased by \$3.2 million or 64.31% in 2014 compared to 2013 which decreased by \$7.2 million or 59.05% compared to 2012. Because the Agency is required by law to transfer its entire budgetary basis net position to the State of Maryland and its gaming revenue to government agencies, changes in net position do not reflect the results of the Agency's operating activities. Rather, changes in net position reflect differences between budgetary basis net income and net income in accordance with accounting principles generally accepted in the United States and the unclaimed prize fund.

The increase in net position is attributed to the increase in unrestricted net assets which consists of unrealized gains and losses on investments, outstanding encumbrances and the unclaimed prize fund. The increase in 2014 from 2013 is attributed to the increase in outstanding encumbrances and the balance in the unclaimed prize fund. These increases were partially offset by an unrealized loss on investments. The majority of the decrease from 2013 to 2012 is attributed to the unrealized loss on investments.



Results of Operations

Table 2 is a summarized version of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2014, 2013 and 2012.

| Table 2 — Revenues, Expenses, and Changes in Net Position (in thousands) | | | |
|--|------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| Sales | | | |
| Draw games | \$ 1,244,359 | \$ 1,270,280 | \$ 1,288,089 |
| Instant games | 479,632 | 485,839 | 506,804 |
| Total sales | 1,723,991 | 1,756,119 | 1,794,893 |
| VLT Revenue — Gross Terminal Revenue | 579,134 | 560,679 | 195,093 |
| VLT Revenue — Table Games | 254,870 | 48,038 | — |
| VLT Revenue — State Grant | 81,648 | 73,691 | 28,959 |
| VLT Revenue — Facility Applicants | 3,282 | 2,704 | 1,791 |
| VLT Revenue — Machine Assessment | 3,035 | 2,964 | 1,709 |
| Total Revenue | 2,645,960 | 2,444,195 | 2,022,445 |
| Cost of sales | 1,579,083 | 1,409,998 | 1,274,624 |
| Gross profit | 1,066,877 | 1,034,197 | 747,821 |
| Operating expenses | 119,493 | 114,663 | 56,365 |
| Income from operations | 947,384 | 919,534 | 691,456 |
| Non-operating expenses | | | |
| Unrealized gain (loss) on investments | (1,876) | (4,232) | 811 |
| Interest expense | (568) | (720) | (911) |
| Payments to State of Maryland General Fund and Stadium Authority | (521,107) | (545,225) | (556,265) |
| Payments to Other Government Funds — Gaming | (420,631) | (376,536) | (128,881) |
| Total non-operating expenses | (944,182) | (926,713) | (685,246) |
| Change in Net Position | 3,202 | (7,179) | 6,210 |
| Total Net Position — beginning of year | 4,978 | 12,157 | 5,947 |
| Total Net Position — end of year | \$ 8,180 | \$ 4,978 | \$ 12,157 |



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales

Net sales were \$1.724 billion in 2014, a decrease of \$32.13 million or 1.83% as compared to 2013 which decreased \$38.8 million or 2.16% as compared to 2012.

Lottery sales are categorized as draw or instant games. Draw games are further categorized as Numbers, Monitor and Matrix games.

Draw games sales decreased \$25.92 million or 2.04% as compared to 2013 which decreased \$17.8 million or 1.38% in 2013 as compared to 2012. In 2014, sales decreases occurred in both Monitor games and Matrix games while Number games increased. In 2013, sales decreases occurred in both Number games and Monitor game while Matrix games increased.

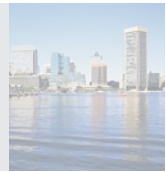
Table 3 — Net Sales of Draw Games (in thousands)

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--------------|---------------------------|---------------------------|---------------------------|
| Numbers | \$ 515,364 | \$ 513,323 | \$ 520,135 |
| Monitor | 466,231 | 493,570 | 521,674 |
| Matrix | 262,764 | 263,387 | 246,280 |
| Total | <u>\$1,244,359</u> | <u>\$1,270,280</u> | <u>\$1,288,089</u> |

Sales for the Numbers games, which are Pick 3 and Pick 4, increased by \$2.04 million or .40% in 2014 compared to 2013 which decreased by \$6.8 million or 1.31% in 2013 as compared to 2012. Pick 4 sales increased in years 2014 and 2013 over the previous year by \$3.0 million or 1.13% and \$2.3 million or .85% respectively, whereas Pick 3 sales have decreased in these years over the previous year by \$984,000 or .40% and \$9.0 million or 3.56%, respectively. The increase in Pick 4 sales and the continued decrease in Pick 3 sales can be attributed to the top prize offered in these games. The top prize for Pick 3 is \$500, whereas the top prize for Pick 4 is \$5,000. It is further believed that the continued decrease in Pick 3 may be the result of the continued growth in Racetrax® sales. Racetrax® offers a trifecta bet that plays like Pick 3 but has better odds of winning.

Sales for the Monitor games, which includes Keno, Keno Bonus, Keno Super Bonus, Racetrax®, and Racetrax® Bonus decreased by \$27.34 million or 5.54% in 2014 compared to 2013 which decreased by \$28.1 million or 5.39% in 2013 as compared to 2012. Keno games decreased by \$37 million or 10.64% compared to 2013 which decreased by \$42.6 million or 11% as compared to 2012. It is believed that the continued decrease in the Keno games may be attributed to the opening of the casinos and in particular the Maryland Live! Casino.

The decrease in the Keno games was offset by the continued increase in the Racetrax® games. Racetrax® games increased \$9.8 million or 6.52% in 2014 compared to 2013 which increased by \$14.5 million or 10.8% as compared to 2012. This game continues to grow as it is fast action and offers a trifecta which is attractive to Numbers players.



Sales (continued)

Sales for Matrix games, which includes Powerball and Powerplay, Mega Millions and Megaplier, Bonus Match 5, Multi-Match, and 5 Card Cash decreased by \$623,000 or .24% in 2014 compared to 2013 which increased by \$17.1 million or 6.95% compared to 2012.

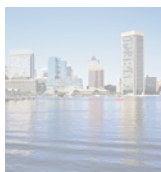
Of all the Matrix games, Mega Millions and Bonus Match 5 were the only games that showed growth over 2013. Mega Millions, combined with Megaplier, increased by \$29.5 million or 41.50% compared to 2013 which decreased by \$39.8 million or 35.93% compared to 2012. The increase in 2014 can be attributed to two large jackpots, one totaling \$414 million and the other totaling \$648 million. In addition, the jackpot rose to over \$100 million two other times during the year. Conversely, the decrease in 2013 is attributed to the lack of high jackpots. During 2013, the Mega Millions jackpot only rolled in excess of \$100 million two times with the highest jackpot reaching only \$190 million. Bonus Match 5 increased by \$366,000 or 1.73% in 2014 compared to 2013 which decreased by \$788,000 or 3.61%.

Powerball, combined with Power Play sales decreased by \$25.6 million or 19.48% in 2014 compared to 2013 which increased by \$48.5 million or 58.52% compared to 2012. The decrease in 2014 can be attributed to an industry wide decrease in Powerball/Power Play sales. The game is not generating the sales or the jackpots that it was generating a year ago. The growth in 2013 can be attributed to the jackpot rolling in excess of \$100 million six times. Two of these times, the Jackpot reached \$550 million and \$600 million. Jackpots during 2014 did not exceed \$425 million.

Multi-Match sales decreased by \$2.1 million or 7.15% in 2014 compared to 2013 which decreased by \$2 million or 6.36% compared to 2012. The continued decrease is the result of the games inability to offer jackpots that compare to Mega Millions and Powerball.

5 Card Cash decreased by \$2.8 million or 25.24% in 2014 compared to 2013. 5 Card Cash was launched in November 2012 and is two draw games in one. It is based on a standard poker game using a 52 card playing deck and has both an instant win feature as well as a nightly drawing. For \$2, the player receives five randomly selected cards. If the cards show a poker hand of Jacks or better, the player wins instantly. In addition, there is a nightly drawing where five cards are drawn and players win by matching 2, 3, 4 or 5 of the cards in the same suit and rank.

Instant games are the second category of lottery games offered to the public. Instant game sales decreased by \$6.2 million or 1.28% in 2014 compared to 2013 which decreased \$21 million or 4.14% in 2013 as compared to 2012 as shown in Table 4. It is believed that the decrease in instant game sales for both 2014 and 2013 can be attributed to the opening of the casinos as the casinos offer instant gratification and provide a greater entertainment value. However, the decline was somewhat arrested in 2014 compared to 2013 by launching some successful \$5 instant licensed products (e.g., Monopoly). As shown in Table 4 on the following page, the \$5 price point was the only price point that showed growth in 2014.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

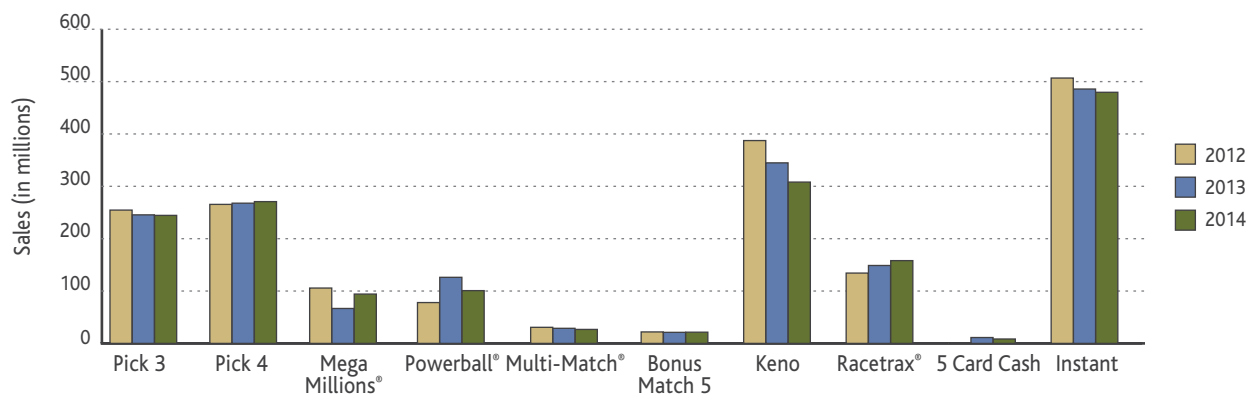
Sales (continued)

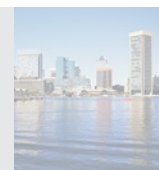
**Table 4 — Net Sales of Instant Games by Price Point
(in thousands)**

| | 2014 | 2013 | 2012 |
|--------------|------------------|------------------|------------------|
| \$1 | \$ 28,805 | \$ 28,406 | \$ 31,879 |
| \$2 | 43,833 | 47,443 | 46,444 |
| \$3 | 37,104 | 40,532 | 44,889 |
| \$5 | 194,024 | 191,378 | 209,574 |
| \$10 | 115,443 | 115,902 | 109,107 |
| \$20 | 60,422 | 62,178 | 64,911 |
| Total | \$479,631 | \$485,839 | \$506,804 |

The following graph depicts the lottery's draw and instant sales for 2014, 2013, and 2012. Keno, Keno Bonus and Keno Super Bonus sales (labeled as Keno for the chart below) have been combined as have Racetrax[®] and Racetrax[®] Bonus sales (labeled as Racetrax for the chart below) Mega Million and Megaplier (labeled as Mega Millions for the chart below) and Powerball and Power Play (labeled as Powerball for the chart below).

Sales — Fiscal Years 2014, 2013, and 2012





Gaming Revenue — Gross Terminal Revenue, Table Game, State Grant, Facility Applicants and Machine Assessment

Gaming Revenue – Gross Terminal Revenue (GTR) represents the revenue generated by the VLTs net of total prize payouts. Gross Terminal Revenue in 2014 totaled \$579.1 million, an increase of \$18.5 million or 3.29% compared to 2013 which increased \$365.6 million or 187.3% over 2012. The increase in 2014 is attributed to a full year of operation at the Rocky Gap Casino Resort and a slight increase at the Casino at Ocean Downs. This increase was primarily offset by a decrease at the Maryland Live! Casino and to a lesser extent at the Hollywood Casino — Perryville. The increase in 2013 is attributed to a full year of operation for the Maryland Live! Casino and, to a lesser extent, the opening of the Rocky Gap Casino Resort on May 22, 2013. The overall increase in 2013 was slightly offset by a decrease in revenue at the Hollywood Casino — Perryville. The decrease in 2013 at the Hollywood Casino — Perryville can also be attributed to the opening of the Maryland Live! Casino which offers more VLTs and is located in the Baltimore Metropolitan area. The following table shows VLT statistics for the casinos.

Table 5 — Gross Terminal Revenue Statistics

| Casinos | Date Opened | Number of Machines as of June 30, 2014 | 2014 GTR (in millions) | 2013 GTR (in millions) | 2012 GTR (in millions) |
|-------------------------------|--------------------|--|---------------------------|---------------------------|---------------------------|
| Hollywood Casino — Perryville | September 27, 2010 | 1,158 | \$ 72.1 | \$ 76.0 | \$ 118.1 |
| Casino at Ocean Downs | January 4, 2011 | 800 | 52.0 | 50.5 | 48.0 |
| Maryland Live! Casino | June 6, 2012 | 4,222 | 419.6 | 431.4 | 29.0 |
| Rocky Gap Casino Resort | May 22, 2013 | 577 | 35.4 | 2.8 | — |
| Total | | 6,757 | \$ 579.1 | \$ 560.7 | \$ 195.1 |

Gaming Revenue — Table Game generated in 2014 increased by \$206.8 million or 430.56% compared to 2013. Table games debuted in March 2013. The following table shows table game statistics for the casinos.

Table 6 — Table Game Revenue Statistics

| Casinos | Date Tables Debuted | Number of Tables as of June 30, 2014 | 2014 Table Games Revenue (in millions) | 2013 Table Games Revenue (in millions) |
|-------------------------------|---------------------|--|---|---|
| Hollywood Casino — Perryville | March 6, 2013 | 22 | \$ 13.6 | \$ 6.0 |
| Maryland Live! Casino | April 11, 2013 | 189 | 235.4 | 41.6 |
| Rocky Gap Casino Resort | May 22, 2013 | 16 | 5.9 | 0.4 |
| Casino at Ocean Downs | — | — | — | — |
| Total | | 227 | \$ 254.9 | \$ 48.0 |



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Gaming Revenue — Gross Terminal Revenue, Table Game, State Grant, Facility Applicants and Machine Assessment (continued)

For the gaming operations, the gross terminal revenue is required to be transferred to specified Government agencies to be used for certain purposes or is retained by the casinos and the Agency to assist in covering the costs of the operations. The Agency retains 2% of the gross terminal revenue to help fund the gaming operations. For table game revenue, 20% of the revenue is required to be transferred to the Education Trust Fund and the remaining 80% is retained by the casino operators. The table below shows the overall disbursements and allocations.

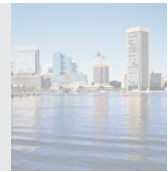
Table 7 — Gaming Revenue Disbursements/Allocations

| Fund | 2014 Disbursements (in millions) | 2013 Disbursements (in millions) | 2012 Disbursements (in millions) |
|--|---|---|---|
| Maryland Education Trust Fund | \$ 328.4 | \$ 284.5 | \$ 94.6 |
| Casino Operators | 406.2 | 223.9 | 64.4 |
| Horse Purse Dedication | 38.9 | 39.1 | 13.7 |
| Local Impact Grants | 30.9 | 30.8 | 10.7 |
| Race Tracks Facility Renewal Accounts | 9.6 | 10.8 | 4.9 |
| Maryland Lottery and Gaming Control Agency | 11.6 | 11.2 | 3.9 |
| Small, Minority and Women-Owned Business | 8.4 | 8.4 | 2.9 |
| Total | \$ 834.0 | \$ 608.7 | \$ 195.1 |

Gaming Revenue — State Grant represents funds received from the State of Maryland to help pay for the costs of the gaming operations. Gaming Revenue — State Grant increased by \$8 million or 10.8% in 2014 compared to 2013 which increased \$44.7 million or 154.46% compared to 2012. The increase in both 2014 and 2013 is due to the increased funding needed to pay for the maintenance, purchase and leasing of the VLTs. In 2014, a full year's worth of funding was needed to pay for the machines at the Rocky Gap Casino Resort in comparison to one month's worth of funding in 2013. In 2013, a full year's worth of funding was needed to pay for the machines at Maryland Live! in comparison to one month's worth of funding in 2012.

Gaming Revenue — Facility Applicants represents money received to perform background investigations on applicants who have applied for a gaming license. Gaming Revenue — Facility Applicants increased by \$578,000 or 21.39% in 2014 compared to 2013 which increased by \$912,000 or 50.95% compared to 2012. The increase in 2014 can be attributed to applications received for the fifth casino which opened in September 2014 as well as continued turnover at all casinos. The increase in 2013 is attributed to the debut of table games at three of the casinos which required the hiring of additional casino staff, the opening of the Rocky Gap Casino Resort in May 2013 and the turnover experienced at all of the casinos.

Gaming Revenue — Machine Assessments represents assessments made to casino operators based on the maximum number of VLTs on the floor during the fiscal year and the number of table games on the floor as of the end of the fiscal year. In accordance with the law, casino operators are assessed



Gaming Revenue — Gross Terminal Revenue, Table Game, State Grant, Facility Applicants and Machine Assessment (continued)

a yearly fee of \$425 per VLT and \$500 per table. These funds are collected by the Agency and subsequently remitted to the Department of Health and Mental Hygiene's Problem Gambling Fund. Machine Assessments increased by \$72,000 or 2.42% in 2014 compared to 2013 which increased by \$1.3 million or 73.46% compared to 2012. The slight increase in 2014 is attributed to the addition of more table games at the casinos during 2014. The increase in 2013 is due to more VLTs in service in 2013 and the implementation of table games.

Cost of Sales

Cost of sales consists of lottery prize expense, lottery retailer commissions, casino operator commissions, costs paid to vendors to operate and maintain the lottery system and the gaming system, and costs paid for the printing and delivery of instant games.

Cost of sales increased by \$169.1 million or 12.0% in 2014 from 2013 which increased by \$135.4 million or 10.62% compared to 2012. The increase is primarily attributed to the increase in casino operator commission. Commission paid to casino operators increased by \$182.3 million or 81.41% in 2014 compared to 2013 which increased by \$159.5 million or 247.82% compared to 2012. The increase in 2014 is primarily attributed to a full year of table game operations versus four months or less in 2013. Casino operators receive 80% of the table game revenue. The increase in 2013 is primarily attributed to a full year of operation of the Maryland Live! Casino versus less than a full month of operation in 2012. To a lesser extent, the 2013 increase is the result of the opening of the Rocky Gap Casino Resort in May 2013 and the implementation of table games in the latter half of 2013.

Commission paid to lottery retailers increased by \$2.3 million or 1.94% in 2014 compared to 2013 which increased \$1.5 million or 1.25% compared to 2012. Typically, increases and decreases in commission are a function of sales as retailers receive a percentage of all tickets sold and cashed at their location.

Although sales decreased in both 2014 and 2013, commission paid to retailers increased as a result of a change in the commission fees earned. In January 2013, sales commission earned by retailers increased from 5% to 5.5%. As such, the increase in 2014 from 2013 is the result of a full year of commission earned at the higher rate of 5.5% and the increase in 2013 from 2012 is the result of six months of commission earned at the higher rate in 2013.

The increase in cost of sales is partially offset by a decrease in prize expense. Prize expense decreased by \$16.4 million or 1.58% in 2014 compared to 2013 which decreased by \$27.2 million or 2.55% compared to 2012. There is a direct correlation between prize expense and sales. As such, the decrease in both 2014 and 2013 is the direct result of the decrease in sales.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

Operating expenses increased by \$4.8 million or 4.21% in 2014 compared to 2013 which increased \$58.3 million or 103.43% compared to 2012.

Other General and Administrative Expenses increased by \$15.4 million or 26.02% in 2014 compared to 2013 which increased \$41.7 million or 241.37% compared to 2012. The increase in 2014 is primarily attributed to the increase in the costs of the VLTs. In 2014, there was a year's worth of payments for the machines at Rocky Gap Casino Resort versus one month of payments in 2013. The increase in 2013 is attributed primarily to a full year of lease payments on the VLTs at the Maryland Live! Casino versus a partial month payment in 2012.

The increase in other general and administrative expenses was offset by a decrease in depreciation and amortization. Depreciation and Amortization decreased by \$12.1 million or 47.64% in 2014 compared to 2013 which increased by \$14.6 million or 134.85% compared to 2012. The decrease in 2014 is attributed to all VLTs meeting the criteria of a capital lease being fully amortized during 2014. The increase in 2013 is primarily attributed to a full year's worth of amortization for certain leased VLTs compared to a partial month of amortization in 2012.

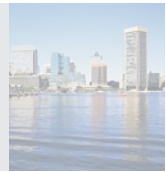
Non-operating Revenue (Expenses)

Non-operating expenses increased by \$17.5 million or 1.89% in 2014 compared to 2013 which increased by \$241.5 million or 35.24% compared to 2012. Non-operating expenses primarily consist of unrealized gains and losses on investments held to fund obligations to annuitants and payments to the State of Maryland General Fund, the Stadium Authority and other government agencies.

The Agency expects to realize the face value of its investments, since it intends to hold these investments until maturity. Therefore, any interim unrealized gains or losses on investments will reverse. The change in fair value of the investments held by the Agency is discussed in more detail on page 61.

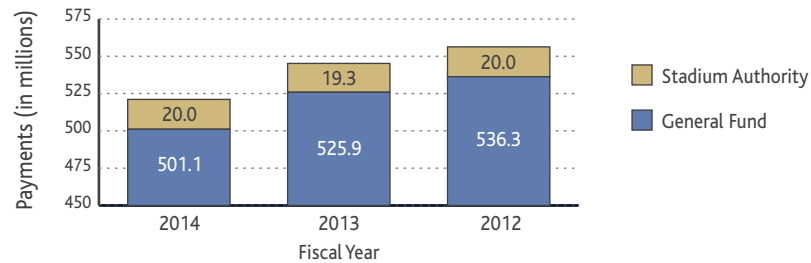
The Agency is required by State law to transfer its budgetary basis net income to the State of Maryland (General Fund and Stadium Authority) from its lottery operations. Furthermore, it is required to transfer revenue from its gaming operations to various government agencies. Accordingly, the Agency's success can be measured by the income it transfers.

Transfers to the State of Maryland totaled \$521.1 million in 2014, a decrease of \$24.1 million or 4.42% compared to 2013 which decreased \$11 million or 1.98% compared to 2012. The decreases in 2014 and 2013 are the result of the decline in lottery sales. The graph below depicts the payments made to the State of Maryland for 2014, 2013, and 2012.



Non-operating Revenue (Expenses) (continued)

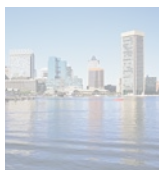
Table 8 — Payments to the State of Maryland



Transfers to other government funds/agencies increased by \$44.1 million or 11.71% in 2014 compared to 2013 which increased \$247.7 million or 192.16% from 2012. Table 7 on page 45 provides a breakdown of the various accounts. Funds retained by the Agency are not included in the increases noted for non-operational expenses. The increase in 2014 is attributed to a full year of table game operations, compared to four months in 2013 and to a lesser extent, a full year of operations at the Rocky Gap Casino Resort. The increase in 2013 is primarily attributed to a full year of operation for the Maryland Live! Casino (versus a partial month in 2012), the opening of the Rocky Gap Casino Resort and the debut of table games.

Contacting the Lottery's Financial Management

The financial report is designed to provide a general overview of the Agency's financial activity for those interested in the Agency's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Gina M. Smith, Deputy Director/CFO, Maryland Lottery and Gaming Control Agency, 1800 Washington Boulevard, Suite 330, Baltimore, Maryland 21230.



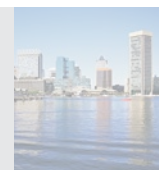
MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

STATEMENTS OF NET POSITION

| | As of June 30 | |
|--|-----------------------|-----------------------|
| | 2014 | 2013 |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,523,668 | \$ 2,267,343 |
| Cash and cash equivalents — Gaming Escrow | 45,377,327 | 75,616,457 |
| Cash and cash equivalents — Restricted — Gaming Licensing Deposits | 1,072,662 | 1,324,050 |
| Cash and cash equivalents — Agent | 119,051 | 103,550 |
| Cash held with State Treasury | 99,782,733 | 84,922,096 |
| Accounts receivable — Lottery | 26,406,051 | 36,834,692 |
| Accounts receivable — Gaming | 50,372 | 9,798 |
| Accounts receivable — Casino Operators | 4,156,118 | 7,907,088 |
| Prepaid commissions | 53,915 | 43,599 |
| Current portion of investments for annuity payments | 10,800,126 | 13,388,987 |
| Total current assets | 190,342,023 | 222,417,660 |
| Non-current assets: | | |
| Capital assets, net of accumulated depreciation | 10,525,562 | 23,826,160 |
| Investments for annuity payments, net of current portion | 36,251,098 | 45,933,461 |
| Total non-current assets | 46,776,660 | 69,759,621 |
| Total assets | \$ 237,118,683 | \$ 292,177,281 |
| Liabilities and Net Assets: | | |
| Current liabilities: | | |
| Current portion of annuity prizes payable | \$ 10,479,410 | \$ 13,388,987 |
| Current portion of employee related payables | 1,635,448 | 1,789,144 |
| Current portion of capital lease obligation | 9,286,893 | 14,110,640 |
| Transfer due to State of Maryland General Fund | 36,172,861 | 36,447,376 |
| Transfer due to Other Government Agencies — Gaming | 40,411,439 | 38,052,948 |
| Prize awards payable | 40,037,704 | 41,094,928 |
| Accounts payable and accrued expenses | 2,068,067 | 2,884,080 |
| Accounts payable and accrued expenses — Gaming | 1,003,582 | 4,155,859 |
| Gaming licensing deposits | 885,739 | 1,152,763 |
| Gaming escrow payable | 44,161,077 | 75,616,457 |
| Agent escrow payable | 119,051 | 103,550 |
| Unearned revenue | 2,479,426 | 2,362,764 |
| Taxes and other liabilities | 550,006 | 827,337 |
| Total current liabilities | 189,290,703 | 231,986,833 |
| Non-current liabilities: | | |
| Annuity prizes payable, net of current portion | 30,298,472 | 37,783,258 |
| Employee related payables, net of current portion | 1,156,095 | 516,299 |
| Capital lease obligation, net of current portion | 8,193,256 | 16,912,542 |
| Total non-current liabilities | 39,647,823 | 55,212,099 |
| Total liabilities | \$ 228,938,526 | \$ 287,198,932 |
| Net Position: | | |
| Invested in capital assets, net of related debt | \$ (6,954,587) | \$ (7,197,022) |
| Unrestricted | 15,134,744 | 12,175,371 |
| Total net position | 8,180,157 | 4,978,349 |
| Total liabilities and net position | \$ 237,118,683 | \$ 292,177,281 |

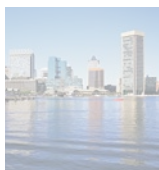
The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION



| | Years ended June 30 | |
|--|---------------------|------------------|
| | 2014 | 2013 |
| Revenue: | | |
| Draw games | \$ 1,244,359,105 | \$ 1,270,280,595 |
| Instant games | 479,631,463 | 485,838,672 |
| Total Sales | 1,723,990,568 | 1,756,119,267 |
| Gaming Revenue — Gross Terminal Revenue | 579,133,667 | 560,679,031 |
| Gaming Revenue — State Grant | 81,648,408 | 73,690,820 |
| Gaming Revenue — Table Games | 254,869,582 | 48,037,794 |
| Gaming Revenue — Facility Applicants | 3,282,340 | 2,703,989 |
| Gaming Revenue — Machine Assessments | 3,035,800 | 2,964,174 |
| Total Revenue | 2,645,960,365 | 2,444,195,075 |
| Cost of sales: | | |
| Prize expense | 1,022,033,738 | 1,038,475,788 |
| Retailer commissions | 122,109,073 | 119,788,227 |
| Casino commissions | 406,227,926 | 223,930,473 |
| Gaming vendor and data processing fees | 20,772,228 | 21,368,102 |
| Instant ticket printing and delivery | 7,940,317 | 6,435,341 |
| Total Cost of Sales | 1,579,083,282 | 1,409,997,931 |
| Gross Profit | 1,066,877,083 | 1,034,197,144 |
| Operating expenses: | | |
| Salaries, wages and benefits | 20,205,985 | 16,929,270 |
| Advertising and promotions | 11,593,907 | 13,297,155 |
| Depreciation and amortization | 13,300,598 | 25,403,648 |
| Other general and administrative expenses | 74,392,476 | 59,032,711 |
| Total Operating Expenses | 119,492,966 | 114,662,784 |
| Income from Operations | 947,384,117 | 919,534,360 |
| Non-operating revenues (expenses): | | |
| Investment revenue (loss) | 846,701 | (640,822) |
| Amortization of discount for annuity prize liabilities | (2,723,561) | (3,590,833) |
| Interest expense | (567,607) | (719,832) |
| Payments to State of Maryland General Fund | (501,106,646) | (525,960,121) |
| Payments to State of Maryland Stadium Authority | (20,000,000) | (19,265,000) |
| Payments to Other Governmental Funds/Agencies — Gaming | (420,631,196) | (376,536,947) |
| Total Non-Operating Revenues (Expenses) | (944,182,309) | (926,713,555) |
| Change in Net Position | 3,201,808 | (7,179,195) |
| Total Net Position — Beginning of year | 4,978,349 | 12,157,544 |
| Total Net Position — End of year | \$ 8,180,157 | \$ 4,978,349 |

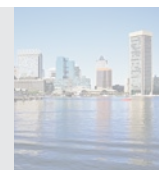
The accompanying notes are an integral part of these financial statements.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
STATEMENTS OF CASH FLOWS

| | Years ended June 30 | |
|--|---------------------|------------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 2,629,019,779 | \$ 2,489,218,420 |
| Payments to suppliers | (116,111,101) | (96,022,934) |
| Payments to employees | (19,719,885) | (20,928,539) |
| Payments to agents | (531,414,050) | (341,242,754) |
| Prize payments/awards to players | (1,022,642,221) | (1,039,420,519) |
| Net cash and cash equivalents provided by operating activities | 939,132,522 | 991,603,674 |
| Cash flows from noncapital financing activities: | | |
| Transfers to the State of Maryland General Fund and Stadium Authority | (521,381,161) | (552,005,563) |
| Transfers to Other Government Funds/Agencies — Gaming | (418,272,705) | (366,276,348) |
| Transfers from VLT Special Fund to General Fund | — | (376,061) |
| Prize payments/awards | (13,843,996) | (17,062,994) |
| Net cash and cash equivalents used in noncapital financing activities | (953,497,862) | (935,720,966) |
| Cash flows from capital and related financing activities: | | |
| Payments of capital lease obligations | (13,543,033) | (25,189,618) |
| Interest payments | (567,607) | (719,832) |
| Net cash and cash equivalents used in capital and related financing activities | (14,110,640) | (25,909,450) |
| Cash flows from investing activities: | | |
| Coupon bonds purchased | (726,071) | (784,505) |
| Proceeds from matured annuities and bonds | 13,843,996 | 17,062,996 |
| Net cash and cash equivalents provided by investing activities | 13,117,925 | 16,278,491 |
| Net increase (decrease) in cash and cash equivalents | (15,358,055) | 46,251,749 |
| Cash and cash equivalents, beginning of year | 164,233,496 | 117,981,747 |
| Cash and cash equivalents, end of year | \$ 148,875,441 | \$ 164,233,496 |
| Noncash investing and financing activities: | | |
| Change in fair value of investments | \$ \$(1,876,860) | \$ (4,231,655) |

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)



| | Years ended June 30 | |
|--|-----------------------|-----------------------|
| | 2014 | 2013 |
| Reconciliation of operating income to net cash and cash equivalents provided by operating activities: | | |
| Operating income | \$ 947,384,117 | \$ 919,534,360 |
| Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities: | | |
| Depreciation and amortization | 13,300,598 | 25,403,648 |
| Deferred prize payments | 726,072 | 784,505 |
| Effect of changes in operating assets and liabilities: | | |
| Accounts receivable | 14,139,037 | (3,284,681) |
| Prepaid commissions | (10,316) | (8,493) |
| Accounts payable and accrued expenses | (35,675,193) | 50,964,996 |
| Employee related payables | 486,100 | 260,344 |
| Taxes and other liabilities | (277,331) | (5,837) |
| Prize awards payable | (1,057,224) | (1,723,394) |
| Unearned revenue | 116,662 | (321,764) |
| Net cash and cash equivalents provided by operating activities | <u>\$ 939,132,522</u> | <u>\$ 991,603,674</u> |

The accompanying notes are an integral part of these financial statements.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LEGISLATIVE ENACTMENT

The Maryland Lottery and Gaming Control Agency (Agency) was established by the Maryland General Assembly enactment of Chapter 365 of Laws of Maryland of 1972, and the voters' approval that same year of a constitutional amendment to allow the lottery. The amendment was ratified on November 7, 1972, and the Agency commenced operations on January 2, 1973.

The mandate of the law was to establish a State-operated lottery, under the immediate supervision of a Director and the guidance of a Commission, for the purpose of producing revenue for the State. The Governor, with the advice and consent of the Senate of Maryland, appoints the Director and the Commission members.

During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of video lottery terminals (VLTs) in the State subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs at five privately owned casinos at specified locations throughout the State.

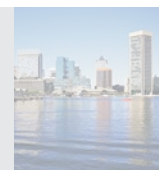
On August 14, 2012, Senate Bill 1 – Gaming Expansion – Video Lottery Terminals and Table Games passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions which were subject to voter referendum passed during the November 6, 2012 election and allowed for a sixth casino at a site in Prince George's County, increased the maximum number of video lottery terminals allowed in the State from 15,000 to 16,500, established table games and allowed for 24-7 operations.

The Agency, in conjunction with its Commission, serves as the regulator of the Gaming program and is responsible for regulating the casinos, licensing the casino operators and all other entities and individuals requiring a gaming license, the purchase or lease of all VLTs and the collection and disbursement of VLT gross terminal revenue and table game revenue in accordance with the law.

The Agency is a part of the primary government of the State of Maryland and is reported as a proprietary fund and business-type activity within the State of Maryland's financial statements. The State of Maryland prepares a comprehensive annual financial report (CAFR). The Agency is an enterprise fund of the State of Maryland and is included in the basic financial statements of the CAFR of the State of Maryland.

BASIS OF ACCOUNTING AND PRESENTATION

The Agency is accounted for as a proprietary special purpose government fund engaged in business-type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and with accounting principles generally accepted in the United States of America,



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*, the Agency has elected to not adopt Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

USE OF ESTIMATES

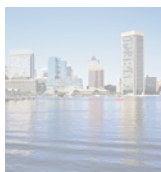
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

LOTTERY GAMES — REVENUE RECOGNITION AND PRIZE OBLIGATIONS

Revenue from lottery games originate from two product lines: draw games and instant games. The Agency develops multiple game themes and prize structures to comply with its enabling legislation and customer demand. Independent and corporate retailers comprised principally of grocery and convenience stores, package goods stores, and restaurants serve as the primary distribution channel for draw and instant lottery sales. Retailers also cash winning tickets up to certain dollar amounts. Beginning in January 2013, retailers receive a sales commission of 5.5% of net sales and cashing commission of 3% of prizes redeemed. Prior to January 2013, retailers received a sales commission of 5% of net sales and cashing commission of 3% of prizes redeemed.

Licensed lottery agents sell draw game lottery tickets to the public through the use of computerized terminals. Draw games are categorized as: Numbers (Pick 3 and Pick 4), Matrix (Multi-Match, Mega Millions/Megaplier, Powerball/Power Play, Bonus Match 5 and 5 Card Cash) and Monitors (Keno, Keno Bonus®, Keno Super Bonus, Racetrax®, and Racetrax® Bonus). Draw revenue is recognized in the month in which the related drawings are held. Revenue from the sale of tickets and commissions paid for future drawings are deferred until the drawings are held. Revenue from instant games is recognized when the retailer activates the book of tickets.

Prize obligations for draw games are determined and recognized after each drawing is held. For all draw games, winners are paid a certain amount depending upon the number of winners and the order of the winning numbers drawn. The Multi-Match, Mega Millions and Powerball jackpots are calculated as a percentage of total game revenue. If there is not a jackpot winner, the prize pool is carried forward until there is a winner. The remaining Multi-Match, Mega Millions and Powerball prize levels are based on a predetermined set amount. Prize obligations are recognized monthly for instant games based on the books activated by retailers and the related prize expense based on the specific game's prize structure.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GAMING OPERATIONS (VLTs AND TABLE GAMES) — REVENUE RECOGNITION AND PRIZE OBLIGATIONS

As of the end of fiscal year 2014, four casinos were in operation with a total of 6,757 VLTs. VLTs are a self-activated video version of lottery games which allow for a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The prize structures of these video lottery games are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expenses are netted against total video credits played. The Agency recognizes VLT revenue as “gross terminal revenue” equivalent to all wagers, net of related prizes.

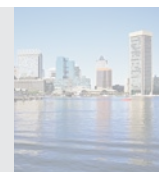
In accordance with the law, the casino operators receive a specified percentage of gross terminal revenue to operate their casinos. As of June 30, 2014, two of the casino operators receive 33% of the gross terminal revenue, one casino operator receives 43% of the gross terminal revenue and one casino operator receives 50% of the gross terminal revenue. The Agency retains 2% of the gross terminal revenue to help fund the operations of the VLT program. The enabling legislation requires the Agency to disburse the remainder of the gross terminal revenue to other Government agencies, which in turn are responsible for making further distributions.

On March 6, 2013, table games debuted. As of June 30, 2014, there were 227 table games in operation at three of the casinos. Table games include blackjack, roulette, craps and various poker games. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casino. The remaining 20% is remitted to the Agency who in turn transfers it to the Education Trust Fund in accordance with the enabling legislation. The casino operators’ share of the revenue from both VLTs and table games is recorded as a cost of sales.

To further help fund the operations of the Gaming program, the State provided grants to the Agency during fiscal years 2014 and 2013 in the amount of \$81,648,408 and \$73,690,820 respectively.

License related revenues (application, license, fingerprint, principal applicant background investigation, and vendor fees) are recorded as licensing deposits until the receipt is identified as being for a specific applicant and type of fee which usually occurs in the same month that the deposit is received. After the specific applicant and fee type is ascertained, the related deposit amount is recognized as revenue, except for principal applicant investigation fees which are recognized as revenue when the background investigation is completed and the applicant is either invoiced for any investigation costs in excess of the deposit received or the portion of the deposit in excess of investigation costs is returned to the applicant.

Administrative expenses for the Gaming program are recognized as they are incurred. The majority of the expenses incurred for the VLT program are for the purchase and lease of the VLTs. VLTs that were purchased by the Agency were financed through the State Treasurer’s Office and are treated as a capital lease for financial statement purposes. The leased VLTs are comprised of VLTs that have no



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

minimum lease period or VLTs that have a minimum lease period of 12 or 18 months. For the VLTs that do not have a minimum lease period, the Agency treats these payments as an administrative expense and recognizes the expense when incurred. For the VLTs that have a minimum lease period, the majority of them meets the criteria for capital leases and are treated as such for financial statement purposes. For the remaining VLTs that did not meet the criteria for capital leases, the Agency treats these payments as an administrative expense and recognizes the expense when incurred.

OPERATING AND NON-OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds such as the Agency are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Agency are derived from providing various types of lottery games, various VLT games and table games. Operating expenses for lottery games include the costs to operate the various games, to pay prize winners, and administrative expenses. Operating expenses for Gaming include the costs to operate the various games and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents include cash deposited with financial institutions, deposits with the Maryland State Treasury and overnight investment repurchase agreements.

CASH AND CASH EQUIVALENTS — GAMING ESCROW

Cash and Cash Equivalents – Gaming Escrow consists of funds deposited in escrow with a financial institution and the related interest earned. The monies deposited are primarily application fees received from Gaming Facility Operator License applicants that are held in separate escrow sub accounts until the application review process is complete and the license is either awarded or denied. If the license is awarded, the monies are transferred to the Maryland Education Trust Fund. If the license is denied, the monies are returned to the applicant.

CASH AND CASH EQUIVALENTS — RESTRICTED — GAMING LICENSING DEPOSITS

Cash and Cash Equivalents – Restricted – Gaming License Deposits account is used to record the receipt of license related fees and investigation deposits that are received from applicants wanting to obtain a gaming license. For the majority of applicants, fees are recorded as revenue after the specific applicant and type of fee received is determined. At the end of each month, these fees are transferred to the Gaming Special Fund account.

For principal employee applicants, in addition to the aforementioned fees, the Agency also receives a background investigation deposit which is used to pay the investigation costs for the principal employee applicant. These deposit amounts remain in Cash and Cash Equivalents – Restricted – Gaming License Deposits and are recorded as a licensing deposit liability until the investigation is completed. To the



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

extent that the investigation deposit is greater than the costs incurred for the investigation, the monies are refunded to the applicant. To the extent that the investigation deposit is less than the costs incurred for the investigation, the applicant is billed for the deficit. After the investigation is completed, the deposit is recorded as revenue and is transferred to the Gaming Special Fund account.

CASH AND CASH EQUIVALENTS — AGENT

Cash and Cash Equivalents — Agent consists of lottery agency funds deposited in escrow with a financial institution and the related interest earned. Monies deposited into the escrow accounts were received from select agents who deposited monies with the Agency in lieu of obtaining a bond.

ACCOUNTS RECEIVABLE

Accounts receivable represents the amounts due from lottery retailers from the sale of lottery tickets. The Agency utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of accounts receivable. The Agency determines accounts receivable to be delinquent when greater than 10 days past due. Receivables are written off when it is determined that amounts are uncollectible. As of June 30, 2014 and 2013, management believes all accounts receivable are collectible, and, as such, no allowance for doubtful accounts has been recorded.

ACCOUNTS RECEIVABLE — GAMING

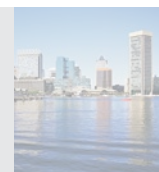
Accounts Receivable — Gaming represents outstanding amounts due that have been billed to applicants for completed background investigations and amounts due from VLT manufacturers for liquidated damages.

ACCOUNTS RECEIVABLE — CASINO OPERATORS

Accounts Receivable – Casino Operators represents the amount of gross terminal revenue and table games revenue due from the casino operators. Gross terminal revenue is collected on a daily basis. Also included in the June 2014 and 2013 balances are the amount due from the casino operators for the \$425 per VLT assessment and the \$500 per table game assessment that is due to the Problem Gambling Fund. Management believes that all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded as of June 30, 2014 and 2013.

CAPITAL ASSETS AND LEASEHOLD IMPROVEMENTS

The Agency has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000 and all leased assets. These assets are comprised principally of technology equipment necessary to administer lottery games and VLTs. The purchased assets are recorded at cost and depreciation is computed using the straight-line method over three-to-five year useful lives. Assets acquired through capital leases are initially recorded at the lower of fair value at the date of the lease or the net present value of the minimum lease payments. Assets acquired under capital leases are amortized over the lesser of the lease term or the estimated useful life of the leased asset.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments consist of United States Government Treasury Bonds and annuity contracts. The investments in United States Government Treasury Bonds are purchased in the name of the Agency and stated at fair value based on quoted market prices. Investments in annuity contracts are purchased in the name of the Agency and stated at present value, which approximates fair value.

COMPENSATED ABSENCES

The Agency accrues compensated absences in accordance with GASB No. 16, *Accounting for Compensated Absences*. All full-time permanent Agency employees accrue annual leave at variable rates based on the number of years employed by the State of Maryland. The maximum annual leave an employee can earn per calendar year is 25 days. At the end of each calendar year, an employee's accrued annual leave may not exceed 75 days. Accrued annual leave is included in the employee related payables in the accompanying statements of net position. All full-time permanent Agency employees also accrue sick pay benefits. However, the Agency does not record a liability for accrued sick pay benefits as neither the State of Maryland nor the Agency has a policy to pay unused sick leave when employees terminate from State service.

PAYMENTS TO THE STATE OF MARYLAND

The law requires the Agency to transfer its lottery revenue in excess of funds allocated to prize awards, operating expenses, and the Maryland Stadium Authority to the State of Maryland General Fund. The income from operations of the Mega Millions game is transferred to the Maryland Stadium Authority up to an annual cap set by the authorized appropriation. These payments are recorded as a non-operating expense in the accompanying statements of revenues, expenses, and changes in net position.

The law further requires the Agency to transfer its gaming revenue to various governmental agencies. In addition to the required transfers, the Agency retains 2% of the gross terminal revenue to help fund the costs of operations, two of the casinos receive 33% of the gross terminal revenue, one casino receives 43% of the gross terminal revenue and one of the casinos receives 50% of the gross terminal revenue to help fund the costs of their operations, and all casinos receive 80% of the table game revenue to help fund the costs of their operations.

On a monthly basis, the Agency transfers these funds as follows:

- A transfer of 49.25% of the gross terminal revenue is made to the State's Department of Education into the Maryland Education Trust Fund. Prior to October 1, 2012, a transfer of 48.5% of the gross terminal revenue was made to the State Department of Education into the Maryland Education Trust Fund.
- A transfer of 20.0% of the gross table games revenue is made to the State's Department of Education into the Maryland Education Trust Fund.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- A transfer of 5.5% of the gross terminal revenue is made to the State's Racing Commission into an account for Local Impact Grants.
- A transfer of 7% of the gross terminal revenue, not to exceed a total of \$100 million annually, is made to the State's Racing Commission into the Purse Dedication Account.
- A transfer of 1.75% of the gross terminal revenue, not to exceed a total of \$40 million annually, is made to the State's Racing Commission into the Racetracks Facility Renewal Accounts. Prior to October 1, 2012, a transfer of 2.5% of the gross terminal revenue, not to exceed a total of \$40 million annually, was made to the State's Racing Commission into the Racetracks Facility Renewal Account.
- A transfer of 1.5% of the gross terminal revenue is transferred to the State's Board of Public Works into the Small, Minority, and Women-Owned Business Account.

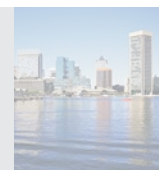
These transfers are recorded as non-operating expenses in the accompanying statements of revenues, expenses and changes in net position.

A summary of the total game revenue and the distributions for the years ended June 30, 2014 and 2013, respectively, follows:

| Distribution | Fiscal Year 2014 | Fiscal Year 2013 |
|--|-----------------------|-----------------------|
| Education Trust Fund | \$ 328,428,368 | \$ 284,521,586 |
| Local Impact Grants | 30,879,481 | 30,760,321 |
| Horse Purse Dedication | 38,947,386 | 39,121,491 |
| Racetracks Facility Renewal | 9,515,739 | 10,780,196 |
| Small, Minority and Women Owned Businesses | 8,421,677 | 8,389,179 |
| Maryland Lottery and Gaming Control Agency | 11,568,798 | 11,213,581 |
| Casino Operators | 406,227,926 | 223,930,473 |
| Total | \$ 833,989,375 | \$ 608,716,827 |

RESTRICTED ASSETS

State law restricts the Agency's assets in their entirety. The Agency's assets are not reported as restricted on the statements of net position since the restriction created by State law is as broad as the Agency's operations.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION

Net position is presented as either unrestricted or invested in capital assets, net of related debt. Net position invested in capital assets, net of related debt, represents the difference between capital assets net of accumulated depreciation and the related capital lease obligations. Unrestricted net position represents the net position available for future operations including outstanding encumbrances as of year-end and unrealized gains or losses on investments. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amount due to the Maryland Stadium Authority, State of Maryland General Fund or payments to Other Governmental Agencies.

NEW ACCOUNTING PRONOUNCEMENTS

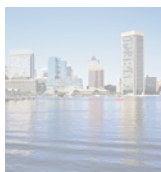
The Agency implemented GASB Statement No 65 (GASB No. 65), *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66 (GASB No. 66), *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67 (GASB No. 67), *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 70 (GASB No. 70), *Accounting and Financial Reporting for Nonexchange Financial Guarantees for the fiscal year ended June 30, 2014*. GASB No. 66, GASB No. 67, and GASB 70 did not have an impact on the Agency's financial position.

GASB has issued Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measure Date – an amendment of GASB Statement No. 68* effective for periods beginning after June 15, 2014. GASB has also issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* effective for periods beginning after December 15, 2013. The Agency is in the process of assessing the impact of these statements and will implement them as of the effective dates.

2. CASH AND CASH EQUIVALENTS

As of June 30, 2014 and June 30, 2013, the carrying amounts of deposits with financial institutions were \$49,092,708 and \$79,311,398, respectively. The corresponding bank balances were \$47,592,316 and \$78,774,408 as of June 30, 2014 and June 30, 2013, respectively.

As of June 30, 2014 and June 30, 2013, the amount on deposit with the Maryland State Treasury (State Treasury) was \$99,782,733 and \$84,922,096, respectively. The corresponding State Treasury balances were \$15,773,347 and \$12,688,352, respectively. The State Treasury has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The deposits with the State Treasury are part of the State of Maryland's internal investment pool and are not separately identifiable as to specific types of securities. The State Treasury maintains these and other Maryland State agency funds on a pooled basis in accordance with State statute. The Agency does not obtain interest on funds deposited with the State Treasury. As of June 30,



2. CASH AND CASH EQUIVALENTS (CONTINUED)

2014 and 2013, the Agency's deposits with the State Treasury were less than 2% of the total deposits with the State Treasury.

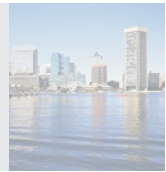
Custodial credit risk — Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits will not be returned to it. The Agency's deposit policy requires that it comply with the State law that governs the State Treasury deposits. Specifically, unexpended or surplus money may be deposited in a financial institution in the State, if the deposit is interest bearing; the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and the custodian holds the collateral.

Federal depository insurance covers a portion of the Agency's deposits with a financial institution, and the remaining balance is collateralized with securities that are held by the State of Maryland's agent in the State's name. These deposits are invested in overnight repurchase agreements. As of June 30, 2014 and 2013, the collateral for the repurchase agreements were Federal National Mortgage Association (FNMA) Mortgage-Backed Securities which are not rated; however, the amount of collateral meets or exceeds the deposit insurance.

Interest rate risk — The State Treasury investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasury will not directly invest in securities maturing more than five years from the date of purchase.

Credit risk — State law requires that the State Treasury investments in repurchase agreements be collateralized by United States Treasury and Agency Obligations. In addition, investments may be made directly in United States Agency Obligations. State law also requires that money market mutual funds receive the highest possible rating from at least one nationally recognized statistical rating organization.

Concentration of credit risk — The State Treasury's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5% of government fund investments are in the FNMA and the Federal Home Loan Mortgage Corporation. As of June 30, 2014, these investments are 43.69% and 34.79% of the State of Maryland's internal investment pool total investments, respectively. As of June 30, 2013, these investments were 38.99% and 35.02% of the State of Maryland's internal investment pool total investments, respectively.



3. INVESTMENTS

UNITED STATES GOVERNMENT TREASURY BONDS

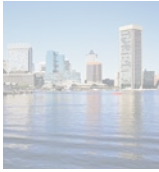
It is the Agency's policy to fund jackpot and lifetime prize awards through the purchase of United States Government Treasury Bonds. Furthermore, it is the policy of the Agency to hold these investments to maturity. The investment maturities approximate the annuity prizes payable installment due dates.

The Agency has purchased long-term investments to fund jackpot and lifetime prize awards. The majority of these investments are United States Government Treasury Bonds, which carry a yield to maturity of approximately 0.117% to 7.333%. As of June 30, 2014 and June 30, 2013, the Agency's United States Government Treasury Bonds totaled \$46,866,649 and \$59,094,730, respectively. The investments in United States Government Treasury Bonds are carried at fair value based on quoted market prices on the accompanying statements of net position and the related unrealized gains (losses) and interest income are recorded as investment revenue (loss) on the accompanying statements of revenues, expenses, and changes in net position.

Through the State securities lending program, authorized under section 2-603 of the State's Finance and Procurement Article of the Annotated Code of Maryland, the State Treasurer's Office lends United States Government securities to broker-dealers and other entities (borrowers). As of June 30, 2014 and June 30, 2013, Agency United States Government Treasury Bonds totaling \$17,996,703 and \$33,908,243, respectively, were lent as part of this program. The State Treasurer's Office controls the program and authorizes all transactions. The State's (and Agency's) custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities by the next business day if the aggregate value of the collateral falls to less than 100% of the market value of the securities lent against the collateral. Cash collateral is initially pledged at greater than the market value of the securities.

At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2014 and 2013, the related collateral for the Agency securities lent totaled \$20,602,671 and \$34,651,503, respectively, resulting in 108.5% and 102.2% as of June 30, 2014 and 2013, respectively, collateralization of the fair value of the Agency securities lent. The benefit of collateral received or income earned is not passed onto the Agency and therefore not reflected in the Agency's financial statements.

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of the lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. The State's custodial bank is obligated to indemnify the State against liability for any suits, actions, or claim of any character arising from or relating to



3. INVESTMENTS (CONTINUED)

the performance of the bank under the contract, except for liability caused by acts or omissions of the State. The State did not experience any losses on their securities lending transactions for the years ended June 30, 2014 and 2013.

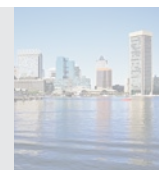
ANNUITY CONTRACTS

As of June 30, 2014 and June 30, 2013, the annuity contracts totaled \$184,575 and \$227,718, respectively. The annuity contracts were purchased in 1976 to satisfy the Agency's obligation for certain lifetime prizes. The value of the annuity contracts and related annuity prizes payable were adjusted in fiscal year 2005 based on revised actuarial life expectancy tables.

INVESTMENT RISK

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. The Agency is not subject to interest rate risk because it is the Agency's policy to hold the investments until maturity, unless an annuitant through a court order forces the sale of an investment to settle the Agency's obligation to the annuitant at which time the annuitant would be paid the proceeds received from the sale of the investments.

For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency is not subject to custodial risk because the United States Government Treasury Bonds are held in the Agency's name by its custodian and annuity contracts are not evidenced by securities that exist in physical or book entry form.



3. INVESTMENTS (CONTINUED)

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS

As of June 30, 2014, the Agency had the following investments:

| Investment Type | Fair Value | Credit Quality Rating | % of Investments | Investment Maturities (In Years) | | | | |
|--|---------------|-----------------------------|---------------------|----------------------------------|---------------|---------------|--------------|-------|
| | | | | Less than 1 | 1–5 | 6–10 | 11–20 | 21–30 |
| <u>Investments in prize annuities:</u> | | | | | | | | |
| United States Treasury Bonds | \$ 46,866,649 | 1 | 99.6% | \$ 10,749,166 | \$ 17,557,135 | \$ 13,370,385 | \$ 5,189,963 | \$ – |
| Annuity Contracts | 184,575 | 2 | .4% | 50,960 | 100,553 | 18,681 | 14,381 | – |
| Total Investments | \$ 47,051,224 | | 100.0% | \$ 10,800,126 | \$ 17,657,688 | \$ 13,389,066 | \$ 5,204,344 | \$ – |

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 Annuity contracts not rated.

As of June 30, 2013, the Agency had the following investments:

| Investment Type | Fair Value | Credit Quality Rating | % of Investments | Investment Maturities (In Years) | | | | |
|---------------------------------|---------------|-----------------------------|---------------------|----------------------------------|---------------|---------------|--------------|-------|
| | | | | Less than 1 | 1–5 | 6–10 | 11–20 | 21–30 |
| Investments in prize annuities: | | | | | | | | |
| United States Treasury Bonds | \$ 59,094,730 | 1 | 99.6% | \$ 13,783,996 | \$ 25,054,101 | \$ 14,259,691 | \$ 5,996,942 | \$ – |
| Annuity Contracts | 227,718 | 2 | .4% | 50,970 | 140,320 | 19,729 | 16,699 | – |
| Total Investments | \$ 59,322,448 | | 100.0% | \$ 13,834,966 | \$ 25,194,421 | \$ 14,279,420 | \$ 6,013,641 | \$ – |

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 Annuity contracts not rated.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
NOTES TO THE FINANCIAL STATEMENTS

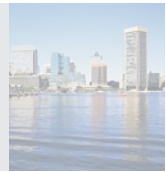
4. CAPITAL ASSETS

A summary of capital asset activity for the years ended June 30, 2014 is as follows:

| | 2013 | Increases | Decreases | 2014 |
|---|----------------------|----------------------|-------------|----------------------|
| Capital Assets | | | | |
| Machinery and Equipment | \$ 70,126,934 | \$ — | \$ — | \$ 70,126,934 |
| Leasehold Improvements | 613,240 | — | — | 613,240 |
| Total Capital Assets | 70,740,174 | — | — | 70,740,174 |
| Less Accumulated Depreciation and Amortization | | | | |
| Machinery and Equipment | 46,300,774 | 13,300,598 | — | 59,601,372 |
| Leasehold Improvements | 613,240 | — | — | 613,240 |
| Total Accumulated Depreciation and Amortization | 46,914,014 | 13,300,598 | — | 60,214,612 |
| Net Capital Assets | <u>\$ 23,826,160</u> | <u>\$ 13,300,598</u> | <u>\$ —</u> | <u>\$ 10,525,562</u> |

A summary of capital asset activity for the years ended June 30, 2013 is as follows:

| | 2012 | Increases | Decreases | 2013 |
|---|----------------------|----------------------|-------------|----------------------|
| Capital Assets | | | | |
| Machinery and Equipment | \$ 70,126,934 | \$ — | \$ — | \$ 70,126,934 |
| Leasehold Improvements | 613,240 | — | — | 613,240 |
| Total Capital Assets | 70,740,174 | — | — | 70,740,174 |
| Less Accumulated Depreciation and Amortization | | | | |
| Machinery and Equipment | 20,922,675 | 25,378,099 | — | 46,300,774 |
| Leasehold Improvements | 587,691 | 25,549 | — | 613,240 |
| Total Accumulated Depreciation and Amortization | 21,510,366 | 25,403,648 | — | 46,914,014 |
| Net Capital Assets | <u>\$ 49,229,808</u> | <u>\$ 25,403,648</u> | <u>\$ —</u> | <u>\$ 23,826,160</u> |



5. ANNUITY PRIZE OBLIGATIONS

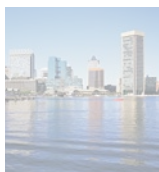
The Agency carries long-term annuity prize obligations at present value. Presented below is a summary of long-term annuity prize payment requirements for annuities payable to maturity:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------|
| 2015 | \$ 10,479,410 | \$ 327,586 | \$ 10,806,996 |
| 2016 | 6,747,741 | 644,418 | 7,392,159 |
| 2017 | 3,950,600 | 585,392 | 4,535,992 |
| 2018 | 2,546,027 | 529,965 | 3,075,992 |
| 2019 | 2,406,748 | 669,244 | 3,075,992 |
| 2020-2024 | 10,563,159 | 5,156,554 | 15,719,713 |
| 2025-2029 | 3,786,744 | 3,139,236 | 6,925,980 |
| 2030-2033 | 297,453 | 208,176 | 505,629 |
| Total | <u>\$ 40,777,882</u> | <u>\$ 11,260,571</u> | <u>\$ 52,038,453</u> |

This debt represents annual payments owed to jackpot and lifetime winners. Annuity prizes are paid over a period of time ranging from 20 to 25 years depending on the time period in which the prize was won. The Agency has purchased United States Government Treasury Bonds or annuity contracts that fully fund these obligations.

Long-term liability activity of annuity prize payments for the years ended June 30, 2014 and 2013 was as follows:

| <u>Fiscal Year Ending</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| June 30, 2014 | \$ 51,172,245 | \$ 3,445,300 | \$ 13,839,663 | \$ 40,777,882 | \$ 10,479,410 |
| June 30, 2013 | \$ 63,859,903 | \$ 4,375,338 | \$ 17,062,996 | \$ 51,172,245 | \$ 13,388,987 |



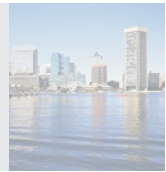
MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE RELATED PAYABLES

Changes in long-term employee related payables were as follows for the years ended June 30, 2014 and 2013. The employee related payables due within one year are included in the current portion of the employee related payables on the accompanying statements of net position, which also includes salaries payable in the amount of \$999,953 and \$942,289 as of June 30, 2014 and 2013, respectively.

| | 2014 | | |
|----------------------------|----------------------|-----------------------|---------------------|
| | Compensated Absences | Workers' Compensation | Combined |
| Beginning Balance | \$ 1,222,154 | \$ 141,000 | \$ 1,363,154 |
| Additions | 933,094 | 111,843 | 1,044,937 |
| Reductions | (592,658) | (23,843) | (616,501) |
| Ending Balance | <u>\$ 1,562,590</u> | <u>\$ 229,000</u> | <u>\$ 1,791,590</u> |
| Amount Due Within One Year | \$ 600,000 | \$ 35,495 | \$ 635,495 |
| Non-Current Portion | 962,590 | 193,505 | 1,156,095 |
| | <u>\$ 1,562,590</u> | <u>\$ 229,000</u> | <u>\$ 1,791,590</u> |

| | 2013 | | |
|----------------------------|----------------------|-----------------------|---------------------|
| | Compensated Absences | Workers' Compensation | Combined |
| Beginning Balance | \$ 1,143,333 | \$ 152,000 | \$ 1,295,333 |
| Additions | 825,097 | 25,056 | 850,153 |
| Reductions | (746,276) | (36,056) | (782,332) |
| Ending Balance | <u>\$ 1,222,154</u> | <u>\$ 141,000</u> | <u>\$ 1,363,154</u> |
| Amount Due Within One Year | \$ 825,000 | \$ 21,855 | \$ 846,855 |
| Non-Current Portion | 397,154 | 119,145 | 516,299 |
| | <u>\$ 1,222,154</u> | <u>\$ 141,000</u> | <u>\$ 1,363,154</u> |



7. COMMITMENTS AND CONTINGENCIES

LEASES

The Agency leases office space, warehouse facilities, and on-line and instant product equipment over periods extending through July 2023. Rent expense for each of the years ended June 30, 2014 and 2013 totaled \$818,075 and \$736,079, respectively. Certain leases contain a bargain purchase option and are accounted for as capital leases.

The assets acquired under capital leases include:

| | June 30, 2014 | June 30, 2013 |
|--------------------------|----------------------|----------------------|
| Machinery and Equipment | \$ 68,286,448 | \$ 68,286,448 |
| Accumulated Amortization | (57,932,543) | (44,717,774) |
| | <u>\$ 10,353,905</u> | <u>\$ 23,568,674</u> |

The following is a schedule of future minimum lease payments under these leases:

| Year Ending June 30: | Operating Leases | Capital Leases |
|--|----------------------|----------------------|
| 2015 | \$ 1,050,336 | \$ 9,286,893 |
| 2016 | 1,090,443 | 8,679,860 |
| 2017 | 1,132,042 | — |
| 2018 | 1,175,341 | — |
| 2019 | 1,220,473 | — |
| 2020 | 1,267,252 | — |
| 2021 | 1,316,013 | — |
| 2022 | 1,366,697 | — |
| 2023 | 703,049 | — |
| Total | \$ 10,321,646 | \$ 17,966,753 |
| Less amount representing interest | | 486,604 |
| Present value of minimum lease payments | | 17,480,149 |
| Less current maturities | | 9,286,893 |
| Long-term portion of capital lease obligations | | <u>\$ 8,193,256</u> |

Liability activity for capital leases was as follows for the years ended June 30,:

| | 2014 | 2013 |
|-------------------|----------------------|----------------------|
| Beginning Balance | \$ 31,023,183 | \$ 56,212,800 |
| Acquisitions | — | — |
| Payments | (13,543,034) | (25,189,617) |
| Ending Balance | <u>\$ 17,480,149</u> | <u>\$ 31,023,183</u> |



7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

CONTRACTS

As of June 30, 2014, the Agency has entered into various contracts totaling approximately \$417,036,128 for services to be rendered. These services relate principally to the operation of, and advertising for, lottery games and the operation of the gaming program.

8. PARTICIPATION IN MULTI-STATE GAMES — MEGA MILLIONS® AND POWERBALL®

The Agency participates in both Mega Millions and Powerball. Currently a total of 45 lotteries sell both Mega Millions and Powerball. The participating states have agreed to a common set of game rules for both Mega Millions and Powerball and share in a common prize pool for each game. The prize pools are shared on a percent of sales basis. Game accounting is conducted after each semi-weekly drawing. Settlements between the states occur after each jackpot win and annually for all other prizes, unless a state's non-jackpot prize settlement amount exceeds \$1,500,000, at which time the states conduct a mid-year settlement. Settlements occur annually for unclaimed non-jackpot prizes and after the claiming period has expired for unclaimed jackpot prizes.

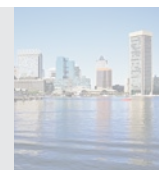
9. RETIREMENT BENEFITS

The Agency and its employees contribute to the State Retirement and Pension System (the System). The System is a cost sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees. The Agency's only obligation to the System is its required annual contribution. The System is administered by a Board of Trustees in accordance with State Personnel and the Pension Article of the Annotated Code of Maryland. The System prepares a separately audited CAFR, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

PLAN DESCRIPTIONS

Agency employees are members of the Employees' Retirement and Pension Systems (two of several systems managed by the System's Board of Trustees). The Employees' Retirement System (the Retirement Plan) includes those employees hired prior to January 1, 1980 who have not elected to transfer to the Employees' Pension System (the Pension Plan). Conversely, members of the Pension Plan include those employees hired after January 1, 1980 and prior employees who have elected to transfer from the Retirement Plan.

The Retirement Plan provides retirement, death, and disability benefits to its members. Members of the Retirement Plan are generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of eligible service regardless of age. The annual retirement allowance equals 1/55 (1.8%) of the member's highest three-year average final salary (AFS) multiplied by the number of years of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of eligible service. Benefits are reduced by 0.5% per month for each month



9. RETIREMENT BENEFITS (CONTINUED)

remaining until the retiree either attains age 60 or would have accumulated 30 years of eligible service, whichever is less. The maximum reduction for a member is 30%. Any member who terminates employment before attaining retirement age but after accumulating five years of eligible service is eligible for a vested retirement allowance.

The Pension Plan provides retirement, death and disability benefits to its members. Certain aspects of eligibility and benefit calculations are different for employees hired on or after July 1, 2011. Those differences are explained below.

Members of the Pension Plan who were active participants prior to July 1, 2011 are generally eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. Generally, the annual pension allowance for a member equals 1/55 (1.8%) of the member's AFS, multiplied by the number of years of creditable service. A member may retire with reduced benefits upon attaining age 55 with at least 15 years of eligible service. Any member who terminates employment before attaining retirement age but after accumulating five years of eligible service is eligible for a vested retirement allowance.

Employees hired on or after July 1, 2011 (New Hires) are generally eligible for full retirement benefits based upon the "Rule of 90" which states that the sum of the employee's age plus eligible service must equal 90 or the employee must be age 65 with 10 years of service. The annual pension allowance for New Hires equals 1.5% of the member's AFS, multiplied by the number of years of creditable service. AFS for New Hires is calculated using the highest 5 consecutive years. A New Hire may retire with reduced benefits upon attaining age 60 with at least 15 years of eligible service. A New Hire who terminates employment before attaining retirement age but after accumulating ten years of eligible service is eligible for a vested retirement allowance.

FUNDING POLICY

Active members and the employers of the members are required to contribute to the Employees' Retirement and Pension Systems. The Agency's required contribution is established by annual actuarial valuations using the entry age normal cost method with projection and other actuarial assumptions adopted by the Board of Trustees. For service earned after July 1, 2011, members of the Employees' Retirement System and the Employee's Pension System are required to contribute 7% of earnable compensation.

The Agency contributions, which equal 100% of the required contributions, for the three years ended June 30, 2014, 2013, and 2012 are as follows:

| | 2014 | 2013 | 2012 |
|-----------------------|-------------|-------------|-------------|
| Agency contribution | \$1,802,088 | \$1,509,065 | \$1,222,917 |
| Percentage of payroll | 9.11% | 9.04% | 7.92% |



10. OTHER POST-EMPLOYMENT BENEFITS

Members of the State Retirement and Pension Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (Plan). The Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. A separate valuation is not performed for the Agency. The Agency's only obligation to the Plan is its required annual contribution.

Effective June 1, 2004, the State established the Postretirement Health Benefits Trust Fund (OPEB Trust) to receive appropriated funds and contributions to assist the Plan in financing the State's post-employment health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101 of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. The Board of Trustees prepares a financial report for the OPEB Trust, which can be obtained from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202.

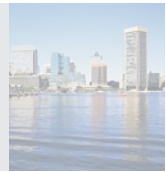
PLAN DESCRIPTION

Agency employees are members of the Plan. Members, generally, may enroll and participate in the health benefit options if the retiree ended State service with at least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin or if the retiree ended State service with at least 16 years of creditable service.

FUNDING POLICY

Beginning in fiscal year 2008, State law requires the State's Department of Budget and Management to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund OPEB benefits. To further prefund benefits, during fiscal year 2008, the State transferred funds from the State Reserve Fund Dedicated Purpose Account. Additionally, the State is required by law to provide funding each year for the Plan for the State's share of the pay-as-you-go amount necessary to provide current benefits to active and retired employees and their dependents. Funds may also be separately appropriated in the State's budget for transfer to the OPEB Trust.

Based on current practice, the State subsidizes approximately 50% to 85% of covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for postemployment health care benefits, which is based on health care insurance charges for current employees. Costs for post retirement benefits are for State of Maryland retirees. The State does not distinguish employees by employer/State agency. Instead, the State allocates



10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

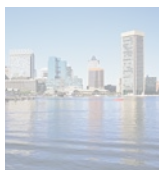
the postemployment health care costs to all participating employers. The cost of these benefits is expensed when paid. For the years ended June 30, 2014 and June 30, 2013, the State did not allocate postemployment health care costs to participating employers and as a result no contribution was made by the Agency.

11. RISK MANAGEMENT

The Agency is exposed to various risks associated with the theft, damage, or destruction of assets, torts, and game liability. To manage the related risks, the Agency participates in the State's insurance program, which provides general liability, personal and casualty, and workers' compensation insurance. The program requires all agencies to submit premiums based upon proportionate payroll costs and/or claim history. This insurance covers related losses up to a maximum of \$1,000,000 per event. Settlements have not exceeded coverage for any of the past three fiscal years. The activity related to accrued workers' compensation costs is included in the schedule exhibited in Note 6.

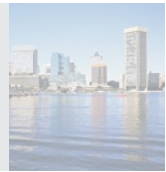
To minimize risks associated with lottery game liabilities, the Agency has established aggregate payout limits for each game type. This approach discontinues sales of the daily numbers games once the potential liability limit is reached for a specific player selection. A maximum payout limit is established for those games with a first-tier prize, which requires multiple first-tier winners to split the related prize.

Risk is minimized for gaming operations as the law requires a VLT to have an average payout of 87% or more but does not exceed 100%. A casino's gaming floor is to be configured to collectively achieve, at all times, an average payout of 90% and which does not exceed 95%. For table games, any overall loss for the day is absorbed by the casinos.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION — BUDGET AND ACTUAL**

| | For the Year ended June 30, 2014 | | | |
|--|----------------------------------|-------------------------|-------------------|---|
| | Original Budget | Final Amended Budget | Actual Amounts | Variance with Budget over (under) |
| Revenues: | | | | |
| Cash Revenue Receipts from all Sources | \$ 1,376,233,000 | \$ 1,354,534,000 | \$ 2,629,019,779 | \$ 1,274,485,779 |
| Expenditures and encumbrances: | | | | |
| Gaming Vendor and Information Technology Fees | 22,583,004 | 22,569,804 | 21,257,254 | (1,312,550) |
| Instant Ticket Printing and Delivery | 6,891,441 | 7,511,441 | 7,940,317 | 428,876 |
| Salaries, Wages, and Benefits | 21,639,845 | 21,119,499 | 19,777,549 | (1,341,950) |
| Advertising and Promotions | 12,422,171 | 12,907,171 | 13,955,163 | 1,047,992 |
| Other General and Administrative Expenses | 89,655,441 | 92,777,507 | 88,311,461 | (4,466,046) |
| Reversions VLT General Fund | — | (4,817,762) | 4,817,762 | 9,635,524 |
| Reversions — Lottery | — | (862,485) | 862,485 | 1,724,970 |
| Total expenditures and encumbrances | 153,191,902 | 151,205,175 | 156,921,991 | 5,716,816 |
| Excess of Revenues over (under) expenditures | 1,223,041,098 | 1,203,328,825 | 2,472,097,788 | 1,268,768,963 |
| Other Sources (uses) of financial resources: | | | | |
| Transfers in (out): | | | | |
| State of Maryland Stadium Authority | (20,000,000) | (20,000,000) | (20,000,000) | — |
| State of Maryland General Fund | (548,195,000) | (521,094,000) | (501,106,646) | 19,987,354 |
| Other Government Agencies/Funds — VLT | — | — | (420,631,196) | (420,631,196) |
| Excess of revenues over expenditures and other sources of financial resources | \$ 654,846,098 | \$ 662,234,825 | \$ 1,530,359,946 | \$ 868,125,121 |
| Reconciliation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures | | | | |
| Change in Net Position | \$ 3,201,808 | | | |
| Non-budgetary expenditures: | | | | |
| Prize Expense | \$ 1,022,033,738 | | | |
| Retailer and Casino Commissions | 528,336,999 | | | |
| Depreciation | 13,300,598 | | | |
| Bad Debt | 85,542 | | | |
| Accounting principle differences: | | | | |
| Accounts Receivable | (10,388,067) | | | |
| Unearned Revenue | (116,662) | | | |
| Increase in Fair Value of Investments | 846,701 | | | |
| Amortization of Discount Prize Liabilities | 2,723,561 | | | |
| Compensated absences | 340,436 | | | |
| Workers' Compensation | 88,000 | | | |
| Capital lease interest payments | (567,607) | | | |
| Cash received for VLT/agents | (29,525,101) | | | |
| Excess of Revenues over Expenses | \$ 1,530,359,946 | | | |

**NOTES TO SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION — BUDGET AND ACTUAL****1. BUDGETING AND BUDGETARY CONTROL**

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. Each year the Agency prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Agency's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget.

The Agency's official budget, as adopted by the Legislature, is based upon accounting for certain transactions on the basis of cash receipts and disbursements. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as expenditures when the purchase commitment is made, is employed for budgetary purposes. Unliquidated encumbrances are canceled at year-end if it is determined the funds will not be utilized in the future. Unencumbered appropriations lapse at the end of the fiscal year for which they were appropriated. The major differences between the budget basis and the Accounting Principles Generally Accepted in the United States of America (GAAP) basis of accounting are:

- Lottery player prize payments are not budgeted;
- Lottery retailer commissions are not budgeted;
- Beginning October 1, 2012, casino operator commissions were no longer budgeted;
- Revenues are recorded when received in cash (budget) as opposed to when earned (GAAP);
- Expenses (including deferred prizes) are recorded when paid or encumbered (budget) as opposed to when the liability is incurred (GAAP);
- The budget basis excludes depreciation and amortization.

The Agency maintains budgetary control by not permitting the total expenditures to exceed appropriations without executive and legislative branch approval.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Maryland Lottery and Gaming Control Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Maryland Lottery and Gaming Control Agency's basic financial statements, and have issued our report thereon dated September 30, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Maryland Lottery and Gaming Control Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Maryland Lottery and Gaming Control Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Maryland Lottery and Gaming Control Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Maryland Lottery and Gaming Control Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Maryland Lottery and Gaming Control Agency, in a separate letter dated September 30, 2014.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stout, Causey & Horning, P.A.

September 30, 2014



STATISTICAL SECTION

SINCE ITS INCEPTION IN 1973, THE MARYLAND LOTTERY HAS CONTRIBUTED MORE THAN \$13.9 BILLION IN REVENUE TO THE STATE OF MARYLAND. MARYLAND'S CASINO PROGRAM, WHICH BEGAN IN SEPTEMBER 2010, HAS GENERATED \$1.74 BILLION IN REVENUE, WITH MORE THAN \$757.59 MILLION SUPPORTING EDUCATION IN THE STATE.



This section of the MLGCA's Comprehensive Annual Financial Report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the overall financial health of the Agency.

CONTENTS

FINANCIAL TRENDS 79

These schedules contain trend information to help readers understand how the MLGCA's financial performance and position have changed over time. The information presented includes changes in net position, sales and contribution/transfer data for both the lottery and gaming operations, as well as the lottery industry as a whole.

REVENUE CAPACITY 102

These schedules contain information to help readers assess the MLGCA's most significant revenue sources. The lottery's statewide retailer network determines the market exposure for the lottery's games. The casinos determine the market exposure for VLTs and table games.

DEBT CAPACITY 112

This schedule presents information to help readers assess the debt burden and the ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION 113

These schedules offer demographic and economic indicators to help readers understand the environment within which the MLGCA operates.

OPERATING INFORMATION 115

These schedules contain information about the MLGCA's organization and efficiency.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports or the audited financial statements for the relevant year.

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

NET ASSETS AND CHANGES IN NET POSITION – FISCAL YEARS 2005 THROUGH 2014



NET POSITION BY COMPONENT – FISCAL YEARS 2005 THROUGH 2014

| FISCAL YEAR | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| Net investment in capital assets | \$ 436,229 | \$ 292,874 | \$ 341,314 | \$ 189,292 | \$ 29,504 | \$ (791,434) | \$ (6,881,872) | \$ (6,982,992) | \$ (7,197,022) | \$ (6,954,587) |
| Unrestricted | 44,909,438 | 26,719,381 | 13,830,745 | 28,739,711 | 27,343,816 | 22,748,793 | 12,829,364 | 19,140,536 | 12,175,371 | 15,134,744 |
| Total net position | \$ 45,345,667 | \$ 27,012,255 | \$ 14,172,059 | \$ 28,929,003 | \$ 27,373,320 | \$ 21,957,359 | \$ 5,947,492 | \$ 12,157,544 | \$ 4,978,349 | \$ 8,180,157 |

CHANGE IN NET POSITION – FISCAL YEARS 2005 THROUGH 2014

| | | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUES: | | | | | | | | | | |
| Numbers games | \$ 521,555,497 | \$ 534,578,721 | \$ 531,992,424 | \$ 509,185,489 | \$ 525,522,017 | \$ 513,618,529 | \$ 515,463,163 | \$ 520,134,881 | \$ 513,323,309 | \$ 515,364,423 |
| Monitor games | 417,458,505 | 436,527,806 | 462,551,365 | 460,795,521 | 483,177,817 | 491,999,734 | 496,730,733 | 521,672,673 | 493,569,979 | 466,230,592 |
| Matrix games | 155,750,154 | 174,467,430 | 151,186,911 | 184,017,335 | 182,317,198 | 210,101,223 | 208,660,360 | 246,281,195 | 263,387,307 | 262,764,097 |
| Instant games | 390,968,694 | 415,331,827 | 425,085,365 | 513,859,583 | 507,057,024 | 490,853,089 | 493,548,322 | 506,803,706 | 483,838,672 | 479,631,463 |
| Raffle games | — | — | 6,495,000 | 5,180,800 | — | — | — | — | — | — |
| Other games | — | — | — | — | — | — | — | — | — | — |
| Total net sales | 1,485,732,850 | 1,560,905,784 | 1,577,311,065 | 1,673,038,728 | 1,698,074,056 | 1,706,572,575 | 1,714,402,578 | 1,794,892,455 | 1,756,119,267 | 1,723,990,568 |
| Gaming Revenue — Gross Terminal Revenue | — | — | — | — | — | — | 103,132,793 | 195,093,073 | 560,679,031 | 579,133,667 |
| Gaming Revenue — State Grant | — | — | — | — | 185,724 | 1,120,566 | 9,605,152 | 28,959,177 | 73,690,820 | 81,648,408 |
| Gaming Revenue — Table Games | — | — | — | — | — | — | — | — | 48,037,794 | 254,869,582 |
| Gaming Revenue — Facility Applicants | — | — | — | — | 896,234 | 3,591,922 | 1,341,779 | 1,791,260 | 2,703,989 | 3,282,340 |
| Gaming Machine Assessment | — | — | — | — | — | — | — | 1,708,825 | 2,964,174 | 3,035,800 |
| Total operating revenues | 1,485,732,850 | 1,560,905,784 | 1,577,311,065 | 1,673,038,728 | 1,699,156,014 | 1,711,285,063 | 1,828,482,302 | 2,022,444,790 | 2,444,195,075 | 2,645,960,365 |

COST OF SALES:

| | | | | | | | | | | |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Prize expense | 856,231,700 | 904,077,713 | 927,009,794 | 956,887,051 | 1,025,901,163 | 1,034,157,126 | 1,029,040,616 | 1,065,653,665 | 1,038,475,788 | 1,022,033,738 |
| Retailer commissions | 97,592,346 | 102,704,705 | 112,187,831 | 117,824,367 | 121,888,107 | 113,130,686 | 113,687,526 | 118,305,427 | 119,788,227 | 122,109,073 |
| Casino commissions | — | — | — | — | — | — | 34,033,822 | 64,380,714 | 223,930,473 | 406,227,926 |
| Gaming vendor and data processing fees | 15,243,781 | 15,638,778 | 14,778,613 | 15,615,384 | 15,975,142 | 16,201,910 | 19,360,974 | 20,077,153 | 21,368,102 | 20,772,228 |
| Instant ticket printing and delivery | 4,938,585 | 6,199,964 | 5,261,387 | 6,910,073 | 6,621,144 | 6,784,297 | 6,275,995 | 6,206,543 | 6,435,341 | 7,940,317 |
| Total cost of sales | 974,006,412 | 1,028,621,160 | 1,059,237,625 | 1,097,236,875 | 1,170,385,556 | 1,170,274,019 | 1,202,398,933 | 1,274,623,502 | 1,409,997,931 | 1,579,083,282 |

OPERATING EXPENSES:

| | | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Salaries, wages, and benefits | 10,583,585 | 11,402,287 | 12,355,212 | 12,224,124 | 12,981,499 | 13,044,796 | 14,498,108 | 15,662,232 | 16,929,270 | 20,205,985 |
| Advertising and promotions | 14,889,419 | 15,859,308 | 18,332,963 | 19,805,039 | 19,036,583 | 13,767,713 | 13,811,939 | 12,592,589 | 13,297,155 | 11,593,907 |
| Other general and administrative expenses | 4,205,133 | 4,807,627 | 3,447,049 | 3,663,424 | 4,101,836 | 6,859,044 | 16,008,540 | 17,293,017 | 59,032,711 | 74,392,476 |
| Depreciation and amortization | 1,500,135 | 560,257 | 657,431 | 627,947 | 649,441 | 1,308,073 | 7,256,951 | 10,817,070 | 25,403,648 | 13,300,598 |
| Total operating expenses | 31,178,272 | 32,629,479 | 34,792,655 | 36,320,534 | 36,769,359 | 34,979,626 | 51,575,598 | 56,364,908 | 114,662,784 | 119,492,966 |

NON-OPERATING REVENUES (EXPENSES):

| | | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Unrealized gains (losses) on investments | (2,236,689) | (16,973,874) | (1,966,256) | 4,709,628 | (334,042) | (782,726) | (3,785,475) | 811,093 | (4,231,655) | (1,876,860) |
| Interest income (expense) | (89,863) | (44,066) | (35,452) | (30,449) | (16,480) | (56,021) | (113,167) | (911,404) | (719,832) | (567,607) |
| Payments to State of Maryland | (477,098,363) | (500,970,617) | (494,119,273) | (529,403,554) | (493,206,260) | (510,608,632) | (519,393,853) | (556,264,804) | (545,225,121) | (521,106,646) |
| Payments to other Government Funds/Agencies — Gaming | — | — | — | — | — | — | (67,225,143) | (128,881,213) | (376,536,947) | (420,631,196) |
| Total non-operating revenues (expenses) | (479,424,915) | (517,988,557) | (496,120,981) | (524,724,375) | (493,556,782) | (511,447,379) | (590,517,638) | (685,246,328) | (926,713,555) | (944,182,309) |

CHANGES IN NET POSITION:

| | | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| CHANGES IN NET POSITION: | 1,123,251 | (18,333,412) | (12,840,196) | 14,756,944 | (1,555,683) | (5,415,961) | (16,009,867) | 6,210,052 | (7,179,195) | 3,201,808 |
| TOTAL NET POSITION, BEGINNING OF YEAR: | 44,222,416 | 45,345,667 | 27,012,255 | 14,172,059 | 28,929,003 | 27,373,320 | 21,957,359 | 5,947,492 | 12,157,544 | 4,978,349 |
| TOTAL NET POSITION, END OF YEAR: | \$ 45,345,667 | \$ 27,012,255 | \$ 14,172,059 | \$ 28,929,003 | \$ 27,373,320 | \$ 21,957,359 | \$ 5,947,492 | \$ 12,157,544 | \$ 4,978,349 | \$ 8,180,157 |

(1) In fiscal year 2005, the Lottery changed its method of accounting for investments held to fund annuity prizes payable. These investments are reported at their fair value as permitted by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY **SALES – FISCAL YEARS 2005 THROUGH 2014**



SALES BY CATEGORY AND GAME

| FISCAL YEAR | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| NUMBERS: | | | | | | | | | | |
| Pick 3 | \$ 296,102,946 | \$ 298,075,249 | \$ 291,917,229 | \$ 274,291,763 | \$ 276,347,705 | \$ 266,948,839 | \$ 260,815,333 | \$ 254,590,816 | \$ 245,523,090 | \$ 244,538,835 |
| Pick 4 | 225,452,551 | 236,503,472 | 240,075,195 | 234,893,726 | 249,174,312 | 246,669,690 | 254,647,830 | 265,544,065 | 267,800,219 | 270,825,588 |
| Numbers Total | 521,555,497 | 534,578,721 | 531,992,424 | 509,185,489 | 525,522,017 | 513,618,529 | 515,463,163 | 520,134,881 | 513,323,309 | 515,364,423 |
| MONITOR: | | | | | | | | | | |
| Keno | 279,934,456 | 287,249,705 | 268,132,183 | 248,684,056 | 247,910,424 | 206,957,090 | 202,589,646 | 203,853,846 | 181,166,747 | 162,018,268 |
| Keno Bonus® | 136,579,121 | 149,009,769 | 144,546,887 | 137,893,276 | 134,381,213 | 48,713,189 | 45,186,127 | 43,746,000 | 38,373,084 | 32,940,922 |
| Keno Super Bonus™ | – | – | – | – | 11,910,933 | 136,129,031 | 132,789,271 | 139,808,393 | 125,262,206 | 113,145,777 |
| Racetraz® | 944,928 | 268,332 | 49,844,937 | 72,876,083 | 88,511,360 | 90,826,725 | 102,471,436 | 117,329,306 | 129,391,042 | 137,795,943 |
| Racetraz® Bonus | – | – | – | – | – | 9,373,699 | 13,694,253 | 16,935,128 | 19,376,900 | 20,329,682 |
| Maryland Hold 'Em™ | – | – | 27,358 | 1,342,106 | 463,887 | – | – | – | – | – |
| Monitor Total | 417,458,505 | 436,527,806 | 462,551,365 | 460,795,521 | 483,177,817 | 491,999,734 | 496,730,733 | 521,672,673 | 493,569,979 | 466,230,592 |
| MATRIX: | | | | | | | | | | |
| Mega Millions® | 99,737,552 | 116,249,659 | 98,191,153 | 129,402,134 | 125,960,400 | 125,262,563 | 98,654,558 | 105,655,325 | 66,734,374 | 94,213,017 |
| Megaplier® | – | – | – | – | – | – | 2,959,179 | 5,191,647 | 4,285,050 | 6,280,278 |
| Lotto | 34,096,337 | 19,975,438 | – | – | – | – | – | – | – | – |
| Multi-Match® | – | 15,816,995 | 30,116,058 | 31,200,692 | 32,896,776 | 35,226,810 | 27,949,729 | 30,709,705 | 28,755,909 | 26,699,000 |
| Bonus Match 5 | 21,916,265 | 22,425,338 | 22,879,700 | 23,414,509 | 23,460,022 | 20,761,956 | 21,389,572 | 21,867,458 | 21,078,755 | 21,444,445 |
| Powerball® | – | – | – | – | – | 26,512,016 | 52,734,546 | 78,014,723 | 126,245,964 | 100,804,309 |
| Power Play® | – | – | – | – | – | 2,337,878 | 4,972,776 | 4,842,337 | 5,097,998 | 4,957,936 |
| 5 Card Cash | – | – | – | – | – | – | – | – | 11,189,257 | 8,365,105 |
| Matrix Total | 155,750,154 | 174,467,430 | 151,186,911 | 184,017,335 | 182,317,198 | 210,101,223 | 208,660,360 | 246,281,195 | 263,387,307 | 262,764,090 |
| INSTANT: | 390,968,694 | 415,331,827 | 425,085,365 | 513,859,583 | 507,057,024 | 490,853,089 | 493,548,322 | 506,803,706 | 485,838,672 | 479,631,463 |
| RAFFLE: | – | – | 6,495,000 | 5,180,800 | – | – | – | – | – | – |
| TOTAL SALES: | \$ 1,485,732,850 | \$ 1,560,905,784 | \$ 1,577,311,065 | \$ 1,673,038,728 | \$ 1,698,074,056 | \$ 1,706,572,575 | \$ 1,714,402,578 | \$ 1,794,892,455 | \$ 1,756,119,267 | \$ 1,723,990,568 |

PRODUCT MIX BY CATEGORY

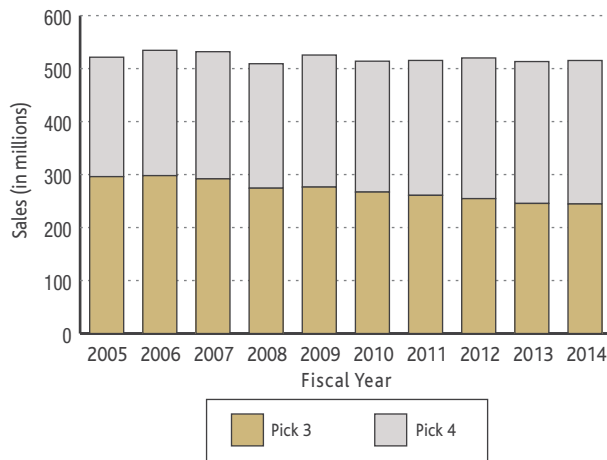
| FISCAL YEAR | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Numbers Games | 35.10% | 34.25% | 33.73% | 30.44% | 30.95% | 30.10% | 30.07% | 28.98% | 29.23% | 29.89% |
| Monitor Games | 28.10% | 27.96% | 29.33% | 27.54% | 28.45% | 28.83% | 28.97% | 29.06% | 28.11% | 27.04% |
| Matrix Games | 10.48% | 11.18% | 9.58% | 11.00% | 10.74% | 12.31% | 12.17% | 13.72% | 15.00% | 15.24% |
| Instant Games | 26.32% | 26.61% | 26.95% | 30.71% | 29.86% | 28.76% | 28.79% | 28.24% | 27.67% | 27.82% |
| Raffle Games | –% | –% | 0.41% | 0.31% | –% | –% | –% | –% | –% | –% |



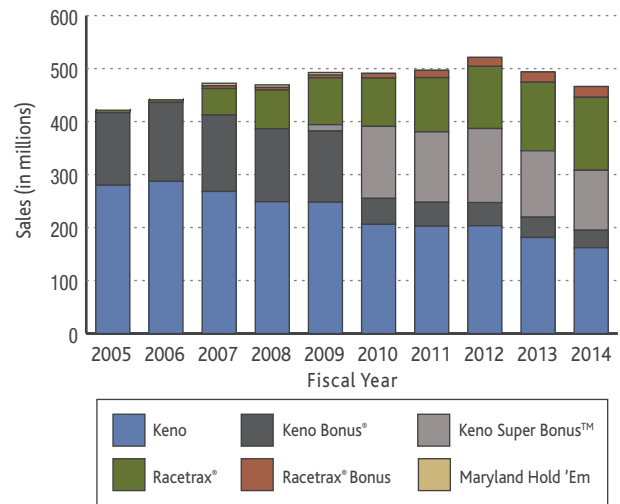
MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

SALES – FISCAL YEARS 2005 THROUGH 2014 (CONTINUED)

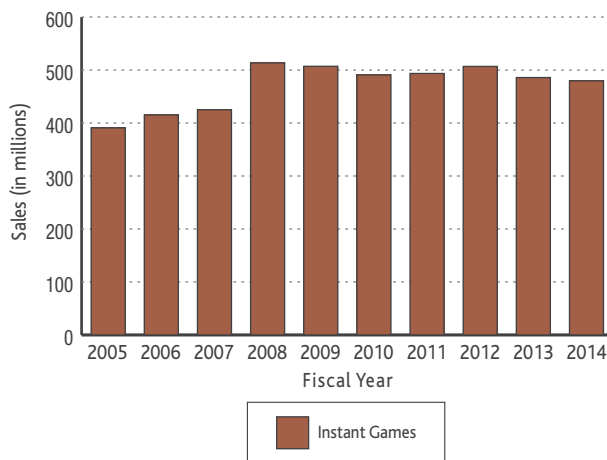
NUMBERS GAMES



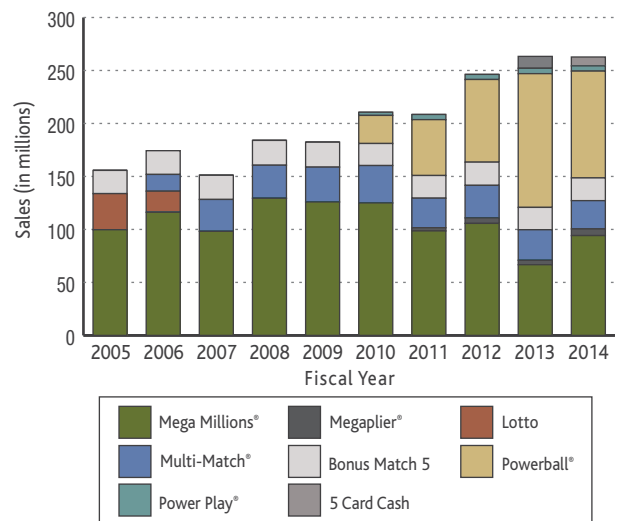
MONITOR GAMES



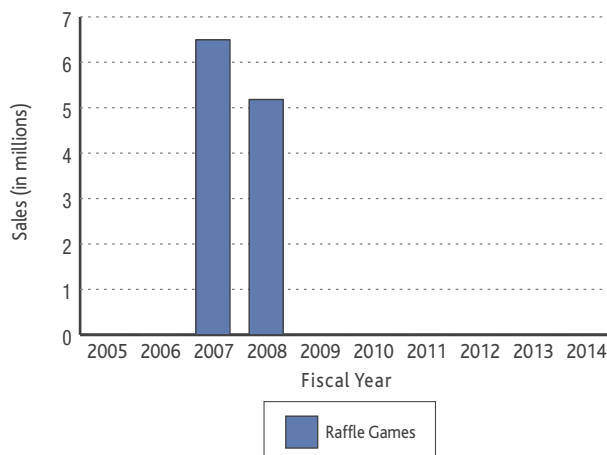
INSTANT GAMES



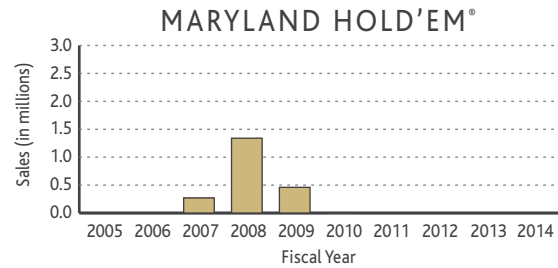
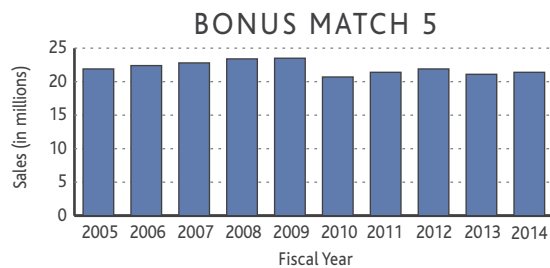
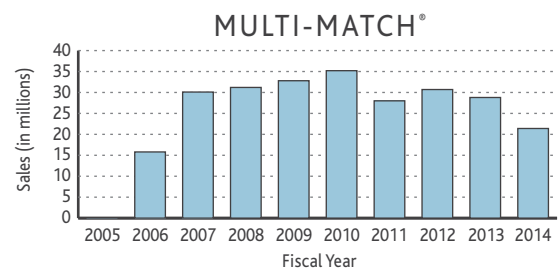
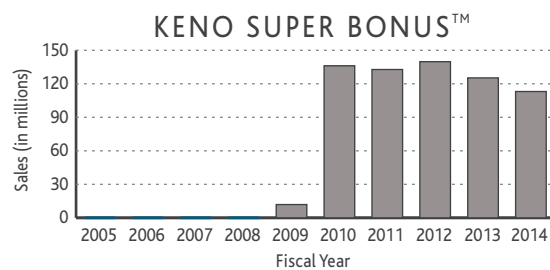
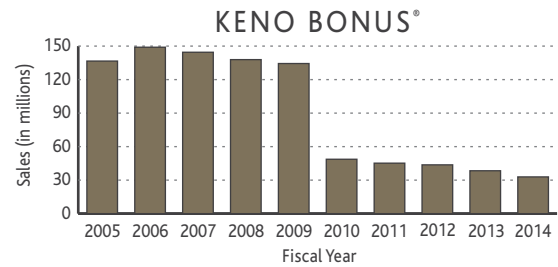
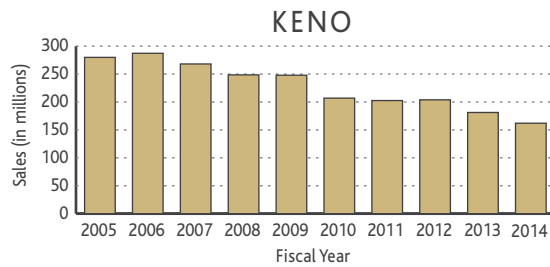
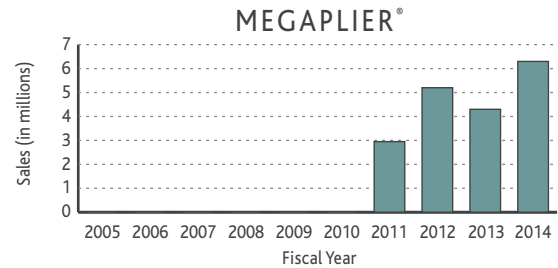
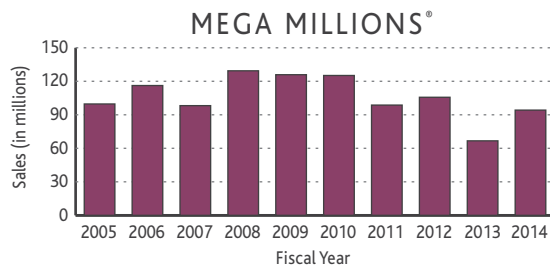
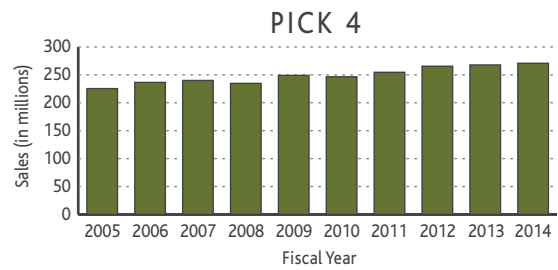
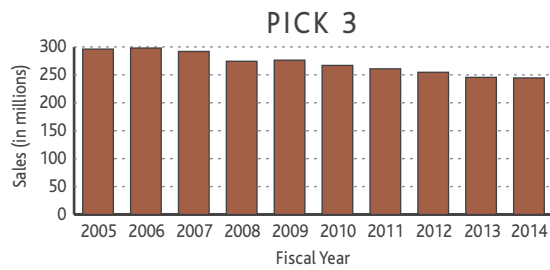
MATRIX GAMES



RAFFLE GAMES



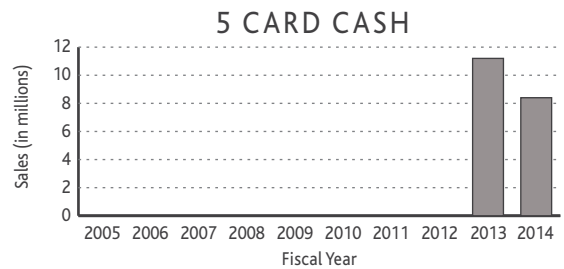
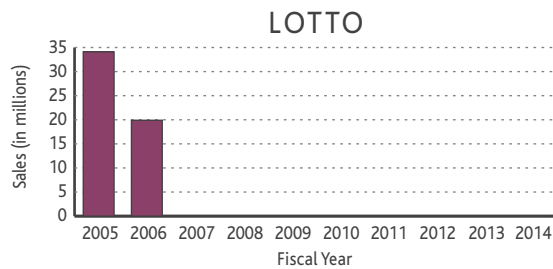
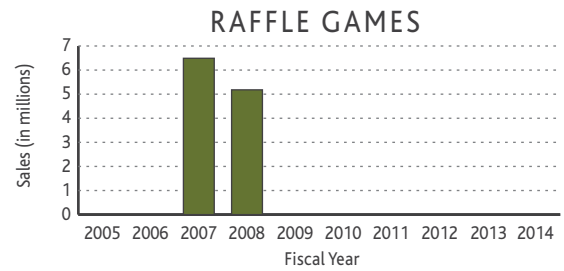
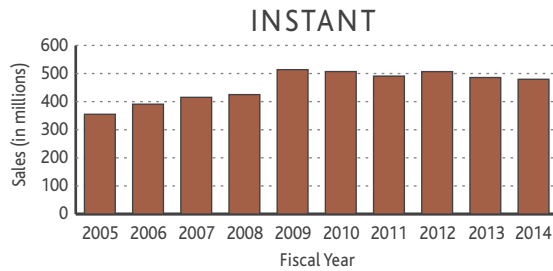
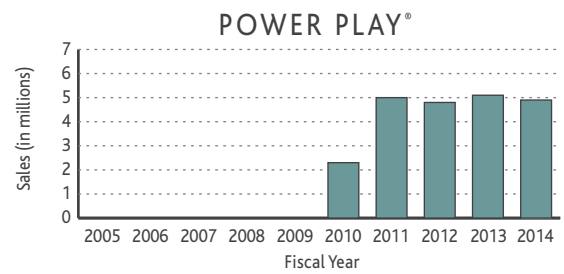
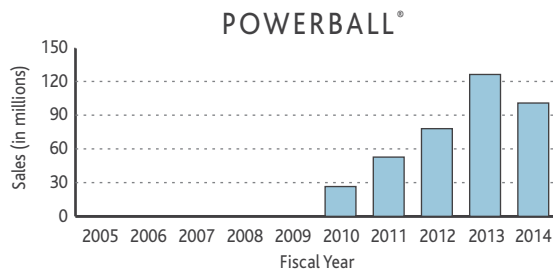
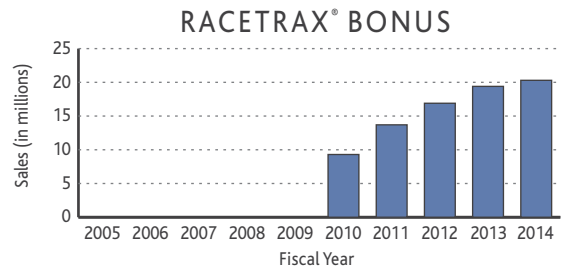
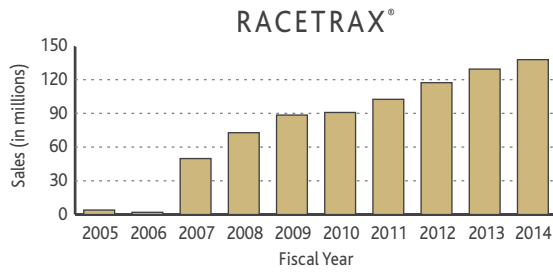
SALES – FISCAL YEARS 2005 THROUGH 2014 (CONTINUED)



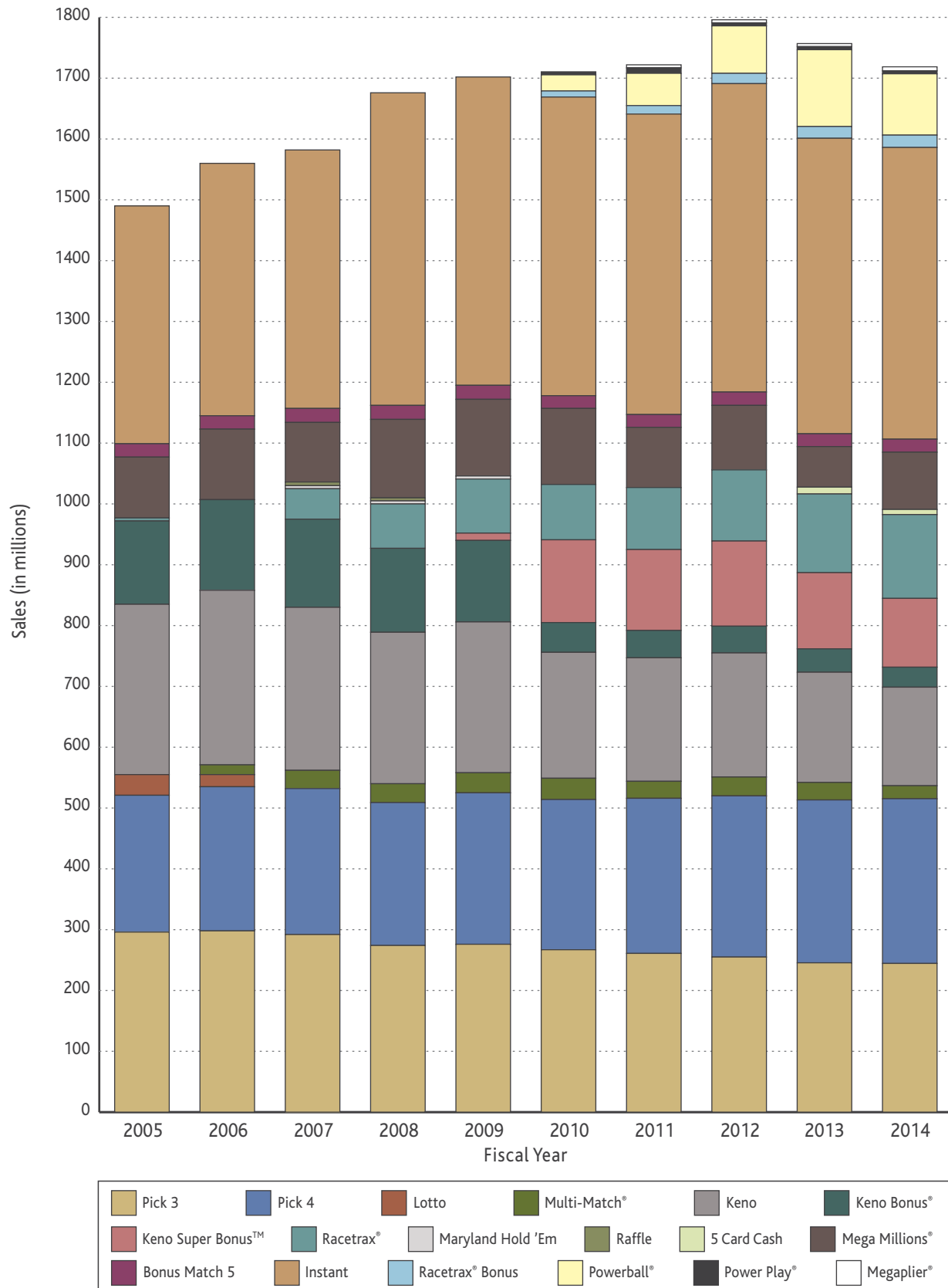


MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

SALES – FISCAL YEARS 2005 THROUGH 2014 (CONTINUED)



SALES – FISCAL YEARS 2005 THROUGH 2014 (CONTINUED)





MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
U.S. LOTTERIES PER CAPITA SALES – FISCAL YEAR 2014

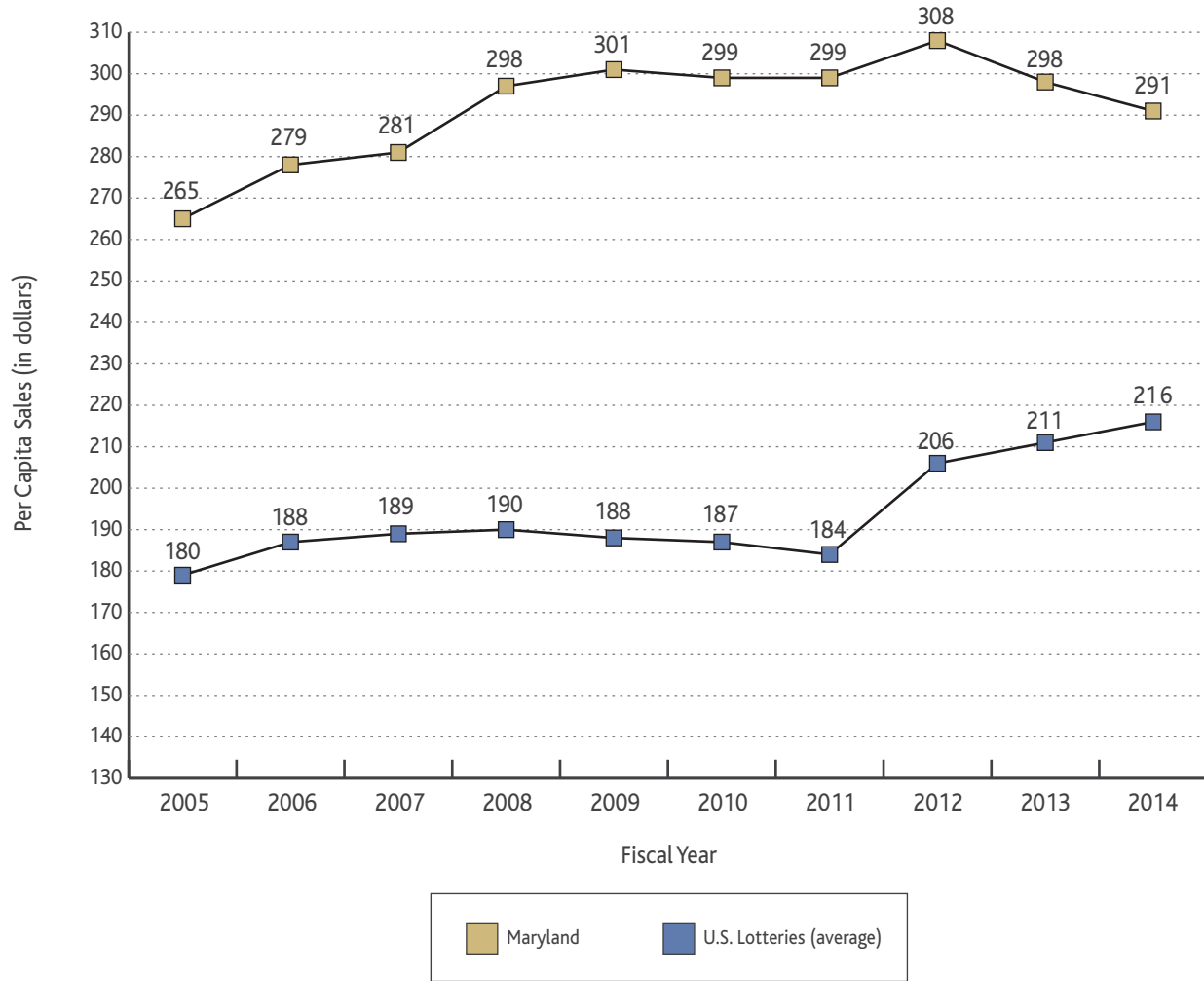
| Rank | State | Population (M) | Total Sales (\$M) | Per Capita* |
|--------------|------------------|----------------|--------------------|---------------|
| 1 | Massachusetts | 6.7 | \$ 4,824.7 | \$ 721 |
| 2 | Georgia | 10.0 | 4,022.2 | 403 |
| 3 | New York | 19.7 | 7,314.2 | 372 |
| 4 | Washington, D.C. | 0.6 | 219.4 | 339 |
| 5 | New Jersey | 8.9 | 2,895.8 | 325 |
| 6 | Connecticut | 3.6 | 1,112.4 | 309 |
| 7 | Pennsylvania | 12.8 | 3,799.6 | 297 |
| 8 | MARYLAND | 5.9 | 1,724.0 | 291 |
| 9 | Florida | 19.6 | 5,368.2 | 275 |
| 10 | South Carolina | 4.8 | 1,264.4 | 265 |
| 11 | Michigan | 9.9 | 2,609.1 | 264 |
| 12 | Ohio | 11.6 | 2,735.0 | 236 |
| 13 | Rhode Island | 1.1 | 242.8 | 231 |
| 14 | Virginia | 8.3 | 1,810.8 | 219 |
| 15 | Illinois | 12.9 | 2,791.8 | 217 |
| 16 | New Hampshire | 1.3 | 275.0 | 208 |
| 17 | Kentucky | 4.4 | 856.4 | 195 |
| 18 | Missouri | 6.0 | 1,143.4 | 189 |
| 19 | North Carolina | 9.8 | 1,839.3 | 187 |
| 20 | Texas | 26.4 | 4,384.6 | 166 |
| 21 | Maine | 1.3 | 219.1 | 165 |
| 22 | Vermont | 0.6 | 102.3 | 163 |
| 23 | Delaware | 0.9 | 148.4 | 160 |
| 24 | Indiana | 6.6 | 1,018.7 | 155 |
| 25 | Arkansas | 3.0 | 410.1 | 139 |
| 26 | California | 38.3 | 5,034.7 | 131 |
| 27 | Idaho | 1.6 | 209.0 | 130 |
| 28 | Arizona | 6.6 | 724.0 | 109 |
| 29 | Colorado | 5.3 | 545.0 | 103 |
| 30 | Iowa | 3.1 | 314.1 | 102 |
| 31 | West Virginia | 1.9 | 188.6 | 102 |
| 32 | Wisconsin | 5.7 | 568.8 | 99 |
| 33 | Minnesota | 5.4 | 531.5 | 98 |
| 34 | Louisiana | 4.6 | 449.0 | 97 |
| 35 | Kansas | 2.9 | 258.2 | 89 |
| 36 | Washington | 7.0 | 595.1 | 85 |
| 37 | Nebraska | 1.9 | 157.8 | 84 |
| 38 | Oregon | 3.9 | 310.1 | 79 |
| 39 | South Dakota | 0.8 | 54.9 | 65 |
| 40 | New Mexico | 2.1 | 136.0 | 65 |
| 41 | Montana | 1.0 | 53.3 | 52 |
| 42 | Oklahoma | 3.9 | 191.0 | 50 |
| 43 | North Dakota | 0.7 | 27.0 | 37 |
| Total | | 293.4 | \$ 63,479.8 | \$ 216 |

Source: *La Fleur's Magazine*, September/October 2014 Edition

* Subject to rounding.

The following Lotteries are excluded: Tennessee, Puerto Rico and the U.S. Virgin Islands.

U.S. LOTTERIES PER CAPITA SALES – FISCAL YEARS 2005 THROUGH 2014



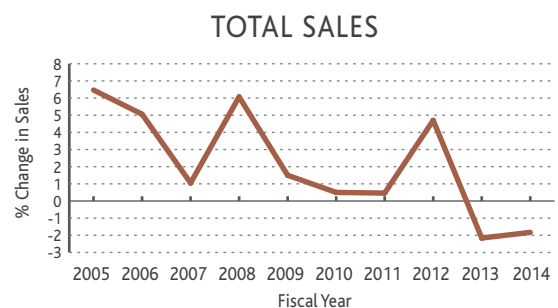
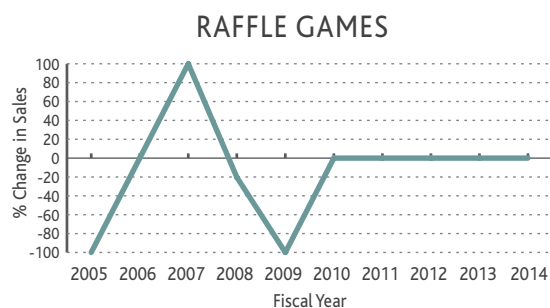
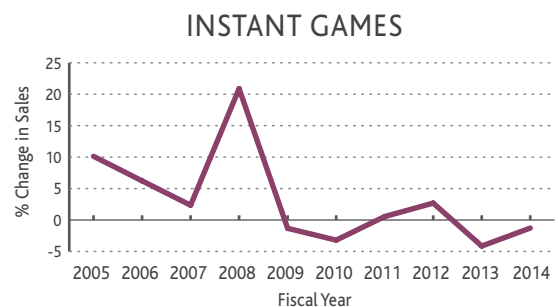
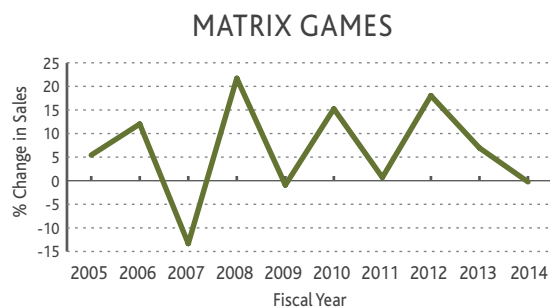
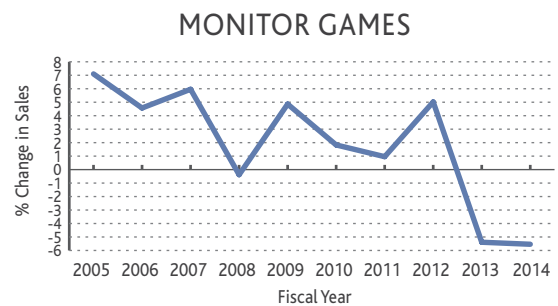
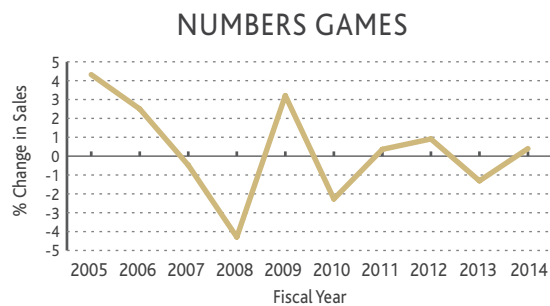
Sources: *La Fleur's Magazine*, September/October 2014 Edition



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

PERCENTAGE CHANGE IN SALES – FISCAL YEARS 2005 THROUGH 2014

| Fiscal Year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Numbers Games | 4.32% | 2.50% | -0.48% | -4.29% | 3.21% | -2.27% | 0.36% | 0.91% | -1.31% | 0.40% |
| Monitor Games | 7.10% | 4.57% | 5.96% | -0.38% | 4.86% | 1.83% | 0.96% | 5.02% | -5.39% | -5.54% |
| Matrix Games | 5.43% | 12.02% | -13.34% | 21.72% | -0.92% | 15.24% | 0.69% | 18.03% | 6.95% | -0.24% |
| Instant Games | 10.13% | 6.23% | 2.35% | 20.88% | -1.32% | -3.20% | 0.55% | 2.69% | -4.14% | -1.28% |
| Raffle Games | -100.00% | –% | 100.00% | -20.23% | -100.00% | –% | –% | –% | –% | –% |
| Total Sales | 6.47% | 5.06% | 1.05% | 6.07% | 1.50% | 0.50% | 0.46% | 4.70% | -2.16% | -1.83% |



U.S. LOTTERIES PERCENTAGE CHANGE IN SALES – FISCAL YEAR 2014



| Rank | State | Total Sales (\$M) | % Change |
|--------------|------------------|--------------------|------------|
| 1 | California | \$ 5,034.7 | 13% |
| 2 | Indiana | 1,018.7 | 9% |
| 3 | North Carolina | 1,839.3 | 9% |
| 4 | Virginia | 1,810.8 | 7% |
| 5 | Florida | 5,368.2 | 7% |
| 6 | Idaho | 209.0 | 6% |
| 7 | South Carolina | 1,264.4 | 5% |
| 8 | Michigan | 2,609.1 | 5% |
| 9 | Arizona | 724.0 | 4% |
| 10 | Washington | 595.1 | 4% |
| 11 | Delaware | 148.4 | 3% |
| 12 | New York | 7,314.2 | 3% |
| 13 | Georgia | 4,022.2 | 3% |
| 14 | Pennsylvania | 3,799.6 | 3% |
| 15 | New Jersey | 2,895.8 | 3% |
| 16 | Ohio | 2,735.0 | 1% |
| 17 | Kentucky | 856.4 | 1% |
| 18 | Kansas | 258.2 | 1% |
| 19 | Wisconsin | 568.8 | 1% |
| 20 | Massachusetts | 4,824.7 | 0% |
| 21 | Louisiana | 449.0 | 0% |
| 22 | Vermont | 102.3 | 0% |
| 23 | Missouri | 1,143.4 | 0% |
| 24 | Texas | 4,384.6 | 0% |
| 25 | Connecticut | 1,112.4 | -1% |
| 26 | New Hampshire | 275.0 | -1% |
| 27 | Illinois | 2,791.8 | -2% |
| 28 | MARYLAND | 1,724.0 | -2% |
| 29 | Nebraska | 157.8 | -2% |
| 30 | North Dakota | 27.0 | -3% |
| 31 | West Virginia | 188.6 | -4% |
| 32 | Colorado | 545.0 | -4% |
| 33 | Maine | 219.1 | -4% |
| 34 | New Mexico | 136.0 | -4% |
| 35 | Rhode Island | 242.8 | -4% |
| 36 | Oklahoma | 191.0 | -5% |
| 37 | Minnesota | 531.5 | -5% |
| 38 | South Dakota | 54.9 | -5% |
| 39 | Oregon | 310.1 | -6% |
| 40 | Montana | 53.3 | -6% |
| 41 | Arkansas | 410.1 | -7% |
| 42 | Iowa | 314.1 | -7% |
| 43 | Washington, D.C. | 219.4 | -9% |
| Total | | \$ 63,479.8 | |

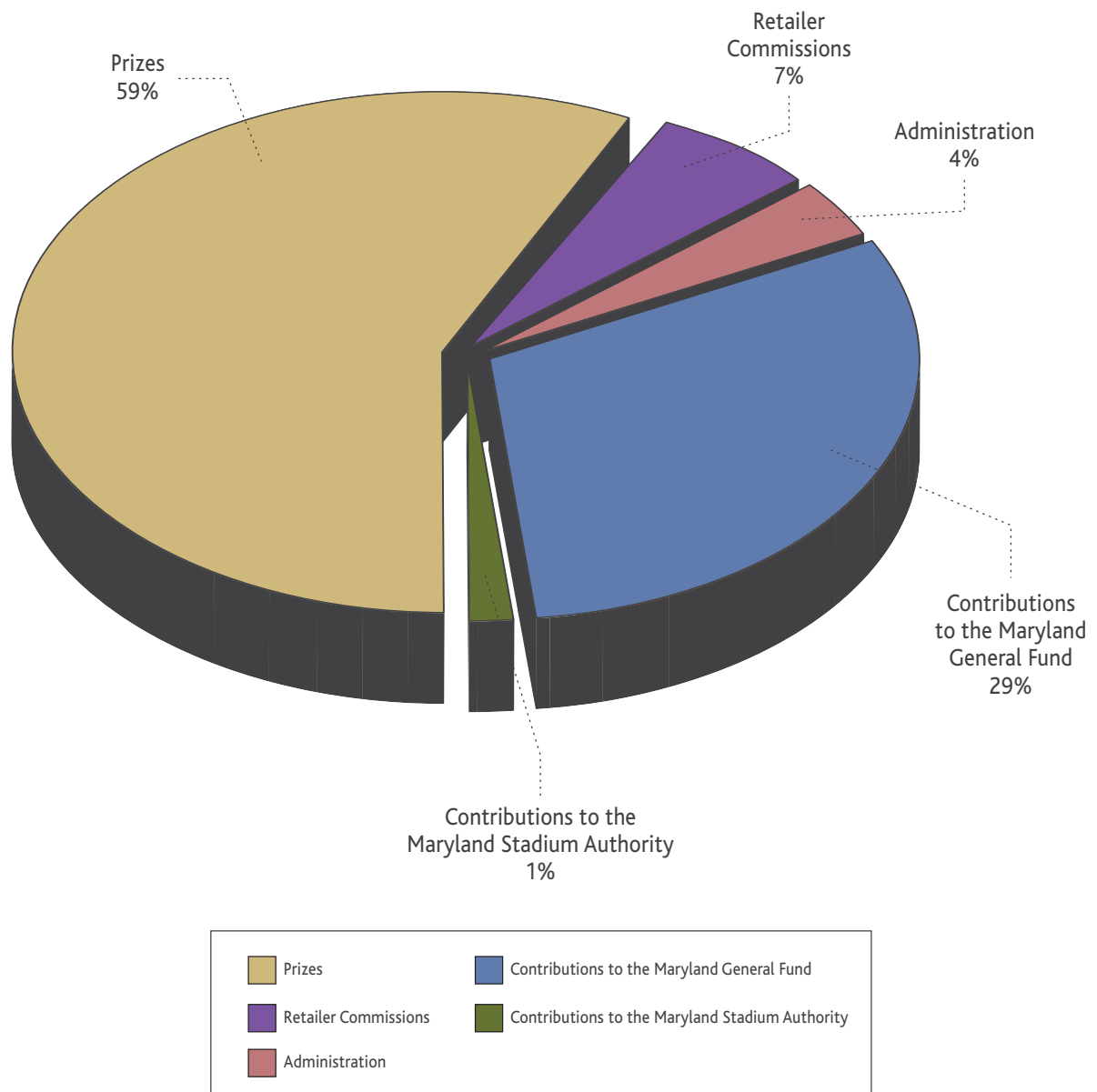
Source: *La Fleur's Magazine*, September/October 2014 Edition

U.S. lotteries ranked % chg. FY14 total (in US\$). Excludes VLT revenue.

The following Lotteries were not included: Tennessee, Puerto Rico and the U.S. Virgin Islands.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**EXPENSES AND CONTRIBUTIONS – CUMULATIVE
FOR FISCAL YEARS 2005 THROUGH 2014**



CONTRIBUTIONS TO THE STATE OF MARYLAND – INCEPTION TO DATE



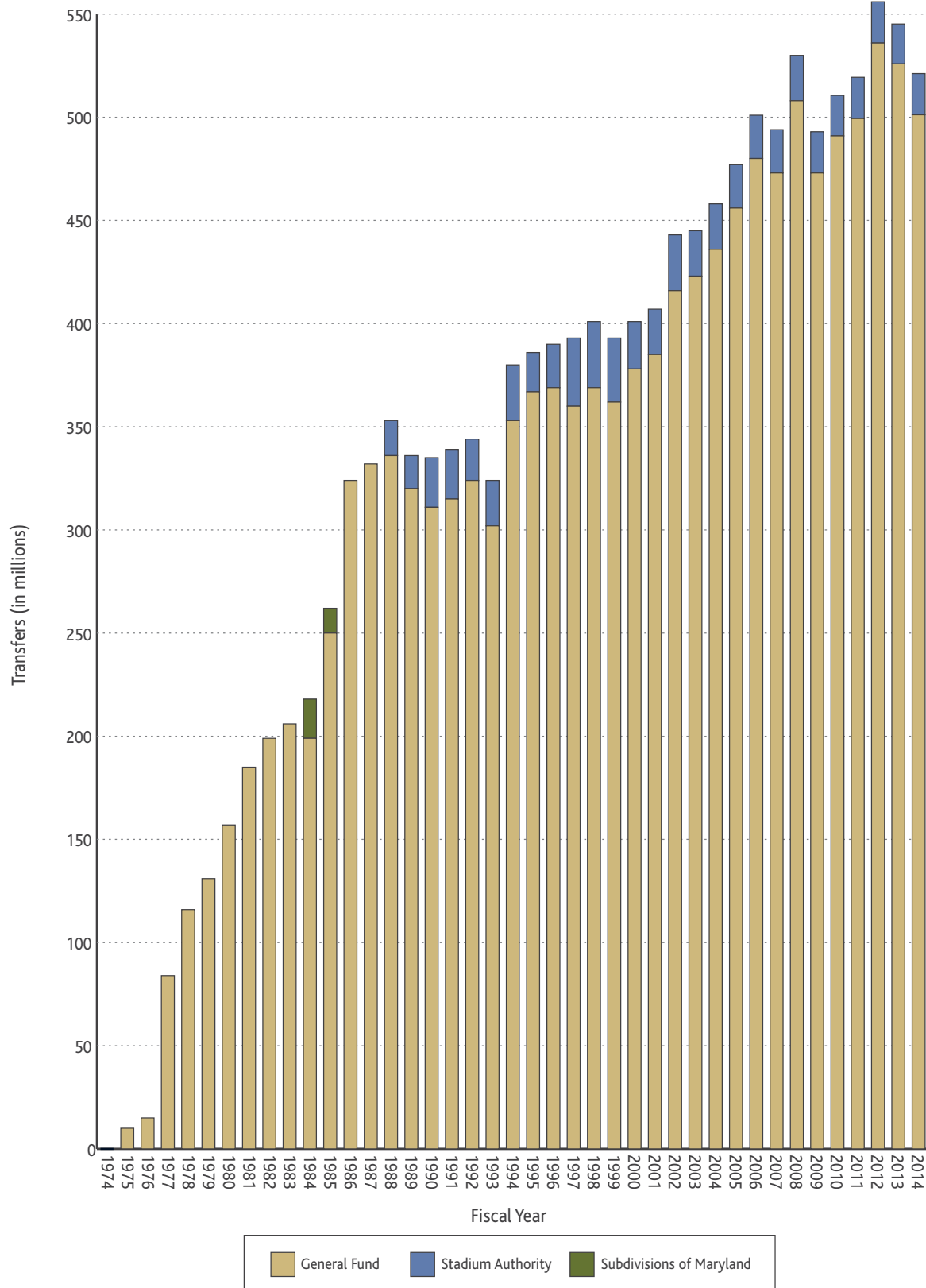
| Fiscal Year | The State of Maryland General Fund | The Maryland Stadium Authority | Subdivisions of Maryland | Total Contributions |
|-------------------------------------|------------------------------------|--------------------------------|--------------------------|--------------------------|
| 1975* | \$ 10,025,000 | \$ – | \$ – | \$ 10,025,000 |
| 1976 | 15,374,000 | – | – | 15,374,000 |
| 1977 | 83,928,000 | – | – | 83,928,000 |
| 1978 | 116,182,000 | – | – | 116,182,000 |
| 1979 | 131,271,000 | – | – | 131,271,000 |
| 1980 | 156,768,000 | – | – | 156,768,000 |
| 1981 | 185,224,000 | – | – | 185,224,000 |
| 1982 | 199,080,000 | – | – | 199,080,000 |
| 1983 | 206,236,000 | – | – | 206,236,000 |
| 1984 | 199,194,000 | – | 19,095,000 | 218,289,000 |
| 1985 | 250,123,000 | – | 12,158,000 | 262,281,000 |
| 1986 | 323,423,000 | – | – | 323,423,000 |
| 1987 | 332,366,000 | – | – | 332,366,000 |
| 1988 | 335,928,000 | 16,750,000 | – | 352,678,000 |
| 1989 | 319,605,000 | 16,221,000 | – | 335,826,000 |
| 1990 | 311,254,000 | 24,040,000 | – | 335,294,000 |
| 1991 | 315,247,000 | 24,004,000 | – | 339,251,000 |
| 1992 | 323,814,000 | 19,752,000 | – | 343,566,000 |
| 1993 | 301,563,000 | 21,612,000 | – | 323,175,000 |
| 1994 | 353,308,000 | 26,743,000 | – | 380,051,000 |
| 1995 | 366,577,000 | 19,077,000 | – | 385,654,000 |
| 1996 | 369,161,000 | 20,749,000 | – | 389,910,000 |
| 1997 | 359,835,000 | 32,818,000 | – | 392,653,000 |
| 1998 | 368,501,000 | 31,625,000 | – | 400,126,000 |
| 1999 | 362,145,000 | 31,076,000 | – | 393,221,000 |
| 2000 | 377,763,000 | 23,250,000 | – | 401,013,000 |
| 2001 | 385,045,000 | 22,000,000 | – | 407,045,000 |
| 2002 | 416,274,000 | 27,230,000 | – | 443,504,000 |
| 2003 | 422,948,000 | 21,949,000 | – | 444,897,000 |
| 2004 | 436,373,000 | 22,000,000 | – | 458,373,000 |
| 2005 | 455,863,000 | 21,235,000 | – | 477,098,000 |
| 2006 | 480,471,000 | 20,500,000 | – | 500,971,000 |
| 2007 | 473,119,000 | 21,000,000 | – | 494,119,000 |
| 2008 | 507,904,000 | 21,500,000 | – | 529,404,000 |
| 2009 | 473,206,260 | 20,000,000 | – | 493,206,260 |
| 2010 | 491,008,632 | 19,600,000 | – | 510,608,632 |
| 2011 | 499,393,853 | 20,000,000 | – | 519,393,853 |
| 2012 | 536,264,804 | 20,000,000 | – | 556,264,804 |
| 2013 | 525,960,121 | 19,265,000 | – | 545,225,121 |
| 2014 | 501,106,646 | 20,000,000 | – | 521,106,646 |
| Total | \$13,278,832,316 | \$ 603,996,000 | \$ 31,253,000 | \$ 13,914,081,316 |
| TOTAL LIFETIME CONTRIBUTIONS | | | | \$ 13,914,081,316 |

*Revenues generated from the inception of the MLGCA were not transferred to the State of Maryland until fiscal year 1975.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**LOTTERY CONTRIBUTIONS TO THE STATE OF MARYLAND –
 INCEPTION TO DATE (CONTINUED)**

TOTAL LIFETIME CONTRIBUTIONS: \$13,914,081,316



U.S. LOTTERIES TRANSFERS TO STATE – FISCAL YEAR 2013*



| Rank | State | Transfer Amount (\$M) | Transfers to State as % of Sales |
|--------------|------------------|-----------------------|-------------------------------------|
| 1 | Kansas | \$ 161.70 | 66% |
| 2 | New Jersey | 1,085.01 | 38% |
| 3 | Louisiana | 160.22 | 36% |
| 4 | Oklahoma | 70.61 | 35% |
| 5 | MARYLAND | 545.20 | 31% |
| 6 | New Mexico | 43.69 | 31% |
| 7 | Michigan | 739.85 | 30% |
| 8 | Pennsylvania | 1,067.38 | 29% |
| 9 | North Dakota | 7.92 | 28% |
| 10 | Florida | 1,424.31 | 28% |
| 11 | California | 1,262.06 | 28% |
| 12 | North Carolina | 479.51 | 28% |
| 13 | Connecticut | 316.94 | 28% |
| 14 | Washington, D.C. | 68.31 | 28% |
| 15 | Texas | 1,214.10 | 28% |
| 16 | Kentucky | 223.80 | 28% |
| 17 | Wisconsin | 155.90 | 28% |
| 18 | Virginia | 464.33 | 27% |
| 19 | Tennessee | 339.71 | 27% |
| 20 | New Hampshire | 74.34 | 27% |
| 21 | Arizona | 177.81 | 26% |
| 22 | Georgia | 927.48 | 26% |
| 23 | South Carolina | 305.21 | 25% |
| 24 | Iowa | 84.89 | 25% |
| 25 | Nebraska | 40.01 | 25% |
| 26 | Missouri | 280.01 | 25% |
| 27 | Idaho | 48.28 | 24% |
| 28 | Washington | 139.23 | 24% |
| 29 | Minnesota | 135.59 | 24% |
| 30 | Indiana | 224.66 | 24% |
| 31 | Colorado | 135.63 | 24% |
| 32 | Maine | 53.52 | 24% |
| 33 | Montana | 13.08 | 23% |
| 34 | Vermont | 22.93 | 22% |
| 35 | Arkansas | 90.46 | 21% |
| 36 | Massachusetts | 955.80 | 20% |
| 37 | West Virginia | 571.60 | – |
| 38 | Delaware | 277.80 | – |
| 39 | South Dakota | 107.70 | – |
| 40 | Oregon | 546.92 | – |
| 41 | Rhode Island | 379.22 | – |
| 42 | New York | 3,045.77 | – |
| 43 | Ohio | 898.13 | – |
| 44 | Illinois | – [†] | – [†] |
| Total | | **\$19,366.62 | |

Source: *La Fleur's 2014 World Lottery Almanac* (22nd Edition).

U.S. lotteries' FY13 sales, prizes & government transfers.

* Data for FY14 is not available at this time.

**Subject to rounding.

– Percentage of transfers to the state as a percentage of lottery sales is not available because lottery transfers and transfers associated with Video Lottery Terminals (i.e., slot machines) are commingled.

† Information not available.

The following lotteries were excluded: Wyoming, Puerto Rico and the U.S. Virgin Islands.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
 FISCAL YEARS 2011 THROUGH 2014***

| Fiscal Year 2014 | | | | | |
|---|--|--------------------------------------|----------------------------------|------------------------------------|-----------------------|
| | Hollywood Casino — Perryville | Casino at Ocean Downs | Maryland Live! Casino | Rocky Gap Casino Resort | Total |
| Education Trust Fund | \$ 35,512,839 | \$ 20,427,271 | \$ 206,655,949 | \$ 14,858,393 | \$ 277,454,452 |
| Casino | 23,795,405 | 22,378,315 | 138,469,975 | 17,688,565 | 202,332,260 |
| Purse Dedication | 5,047,510 | 3,643,029 | 29,372,419 | 884,428 | 38,947,386 |
| Local Impact Grants | 3,965,901 | 2,862,380 | 23,078,329 | 972,871 | 30,879,481 |
| Race Tracks Facility Renewal Account | 1,261,878 | 910,757 | 7,343,105 | – | 9,515,740 |
| MLGCA | 1,442,146 | 1,040,865 | 8,392,120 | 707,542 | 11,582,673 |
| Small, Minority, Woman Business | 1,081,609 | 780,648 | 6,294,090 | 265,328 | 8,421,675 |
| Total | \$ 72,107,288 | \$ 52,043,265 | \$ 419,605,987 | \$ 35,377,127 | \$ 579,133,667 |

| Fiscal Year 2013 | | | | | |
|---|--|--------------------------------------|----------------------------------|------------------------------------|-----------------------|
| | Hollywood Casino — Perryville | Casino at Ocean Downs | Maryland Live! Casino | Rocky Gap Casino Resort | Total |
| Education Trust Fund | \$ 37,296,321 | \$ 24,718,054 | \$ 211,723,265 | \$ 1,176,388 | \$ 274,914,028 |
| Casino | 25,087,932 | 16,644,463 | 142,367,381 | 1,400,462 | 185,500,238 |
| Purse Dedication | 5,321,683 | 3,530,644 | 30,199,141 | 70,023 | 39,121,491 |
| Local Impact Grants | 4,181,322 | 2,774,077 | 23,727,897 | 77,025 | 30,760,321 |
| Race Tracks Facility Renewal Account | 1,475,939 | 1,005,207 | 8,299,050 | – | 10,780,196 |
| MLGCA | 1,520,481 | 1,008,755 | 8,628,327 | 56,018 | 11,213,581 |
| Small, Minority, Woman Business | 1,140,360 | 756,566 | 6,471,243 | 21,007 | 8,389,176 |
| Total | \$ 76,024,038 | \$ 50,437,766 | \$ 431,416,304 | \$ 2,800,923 | \$ 560,679,031 |

* Fiscal year 2011 was the first year for gross terminal revenue.

**GROSS TERMINAL REVENUE DISTRIBUTIONS –
FISCAL YEARS 2011 THROUGH 2014* (CONTINUED)**


| Fiscal Year 2012 | | | | | |
|---|--|--------------------------------------|----------------------------------|------------------------------------|----------------------|
| | Hollywood Casino — Perryville | Casino at Ocean Downs | Maryland Live! Casino | Rocky Gap Casino Resort | Total |
| Education Trust Fund | \$ 57,275,940 | \$ 23,286,167 | \$ 14,058,033 | \$ — | \$ 94,620,140 |
| Casino | 38,971,258 | 15,844,197 | 9,565,259 | — | 64,380,714 |
| Purse Dedication | 8,266,631 | 3,360,890 | 2,028,994 | — | 13,656,515 |
| Local Impact Grants | 6,495,210 | 2,640,699 | 1,594,210 | — | 10,730,119 |
| Race Tracks Facility Renewal Account | 2,952,368 | 1,200,318 | 724,641 | — | 4,877,327 |
| MLGCA | 2,361,894 | 960,255 | 579,713 | — | 3,901,862 |
| Small, Minority, Woman Business | 1,771,421 | 720,190 | 434,785 | — | 2,926,396 |
| Total | \$118,094,722 | \$ 48,012,716 | \$ 28,985,635 | \$ — | \$195,093,073 |

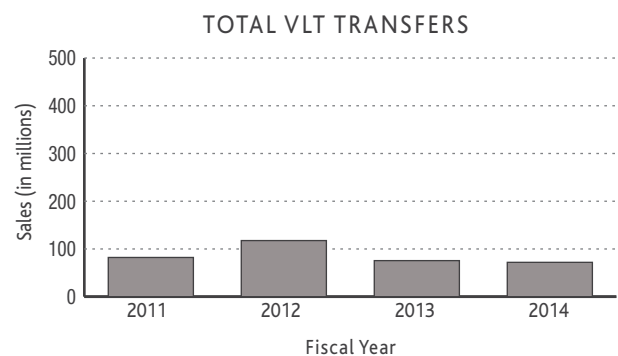
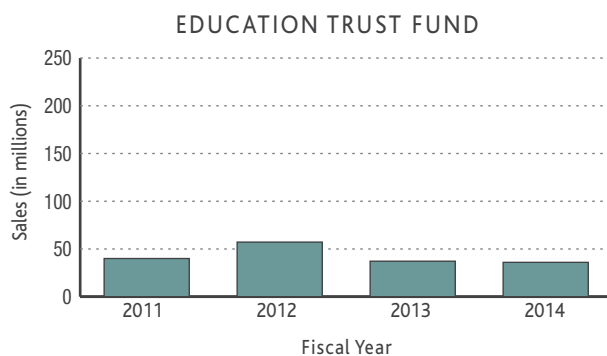
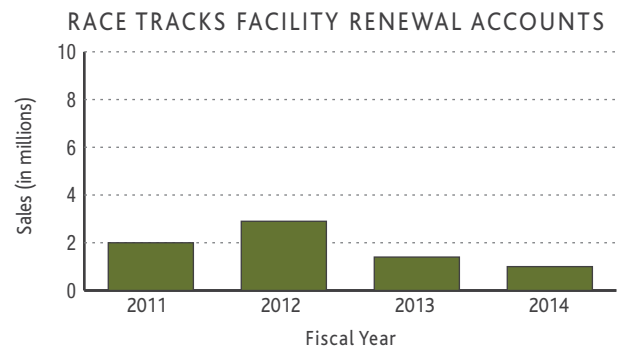
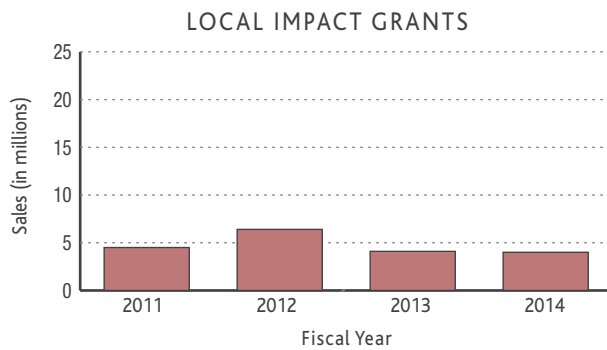
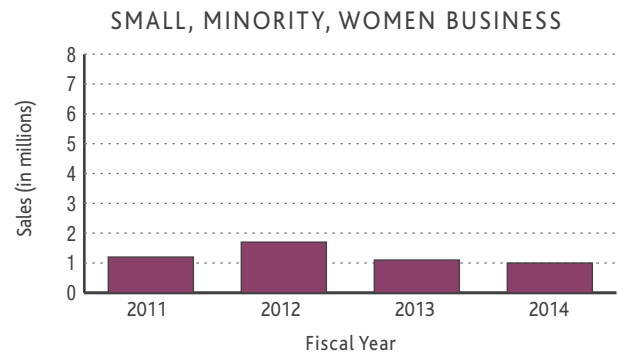
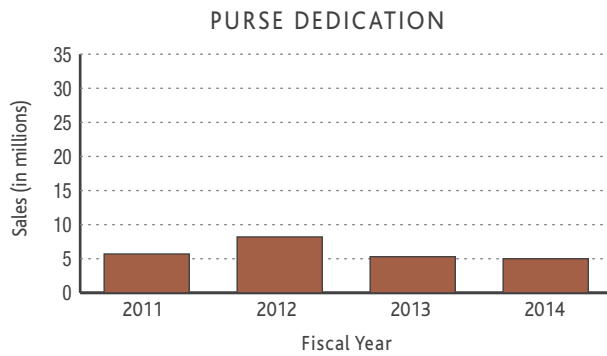
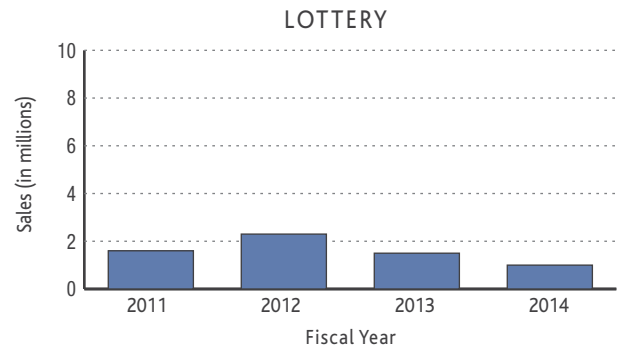
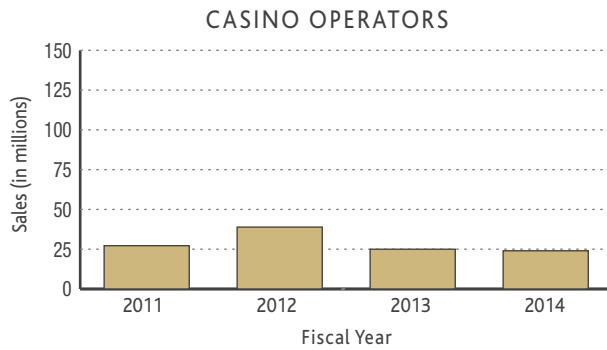
| Fiscal Year 2011 | | | | | |
|---|--|--------------------------------------|----------------------------------|------------------------------------|----------------------|
| | Hollywood Casino — Perryville | Casino at Ocean Downs | Maryland Live! Casino | Rocky Gap Casino Resort | Total |
| Education Trust Fund | \$ 40,108,178 | \$ 9,911,227 | \$ — | \$ — | \$ 50,019,405 |
| Casino | 27,290,101 | 6,743,721 | — | — | 34,033,822 |
| Purse Dedication | 5,788,809 | 1,430,486 | — | — | 7,219,296 |
| Local Impact Grants | 4,548,350 | 1,123,954 | — | — | 5,672,304 |
| Race Tracks Facility Renewal Account | 2,067,432 | 510,888 | — | — | 2,578,320 |
| MLGCA | 1,653,975 | 408,710 | — | — | 2,062,686 |
| Small, Minority, Woman Business | 1,240,459 | 306,533 | — | — | 1,546,992 |
| Total | \$ 82,697,304 | \$ 20,435,520 | \$ — | \$ — | \$103,132,824 |

* Fiscal year 2011 was the first year for gross terminal revenue.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
 FISCAL YEARS 2011 THROUGH 2014* (CONTINUED)**

HOLLYWOOD CASINO — PERRYVILLE

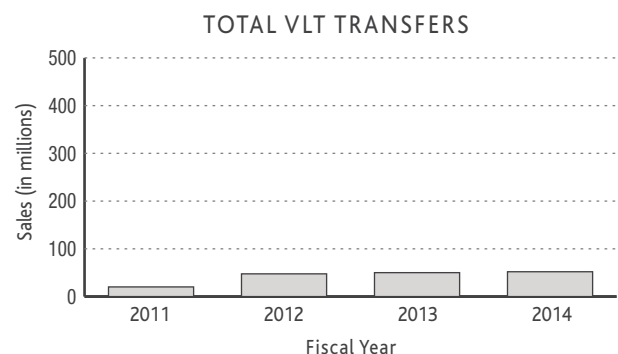
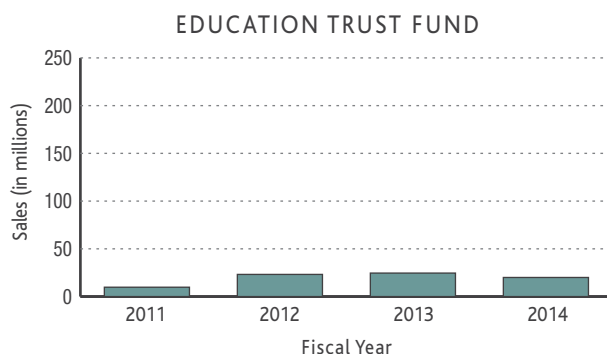
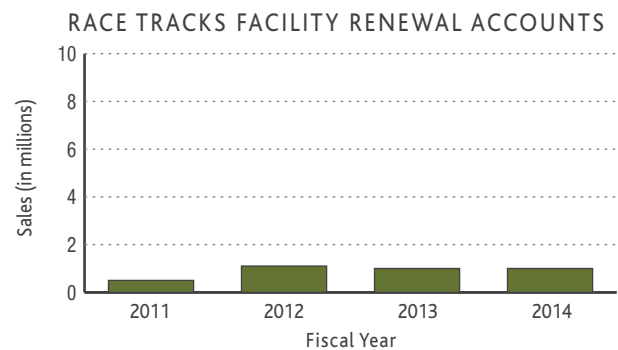
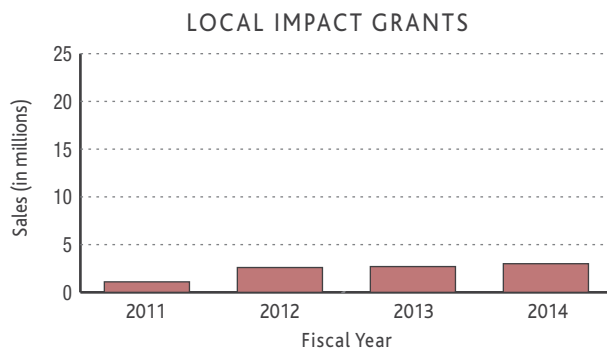
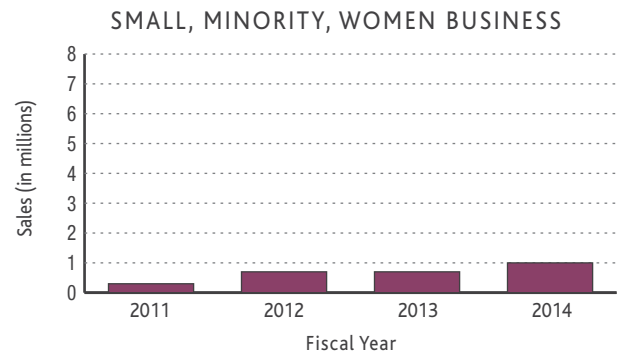
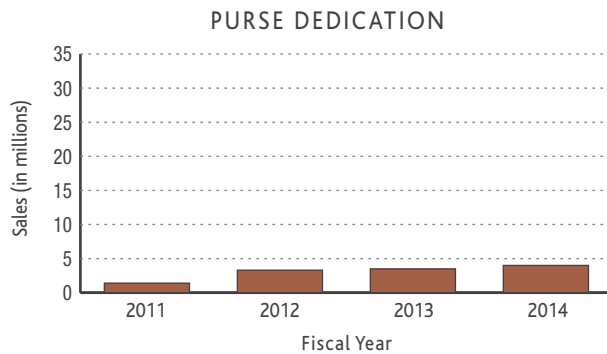
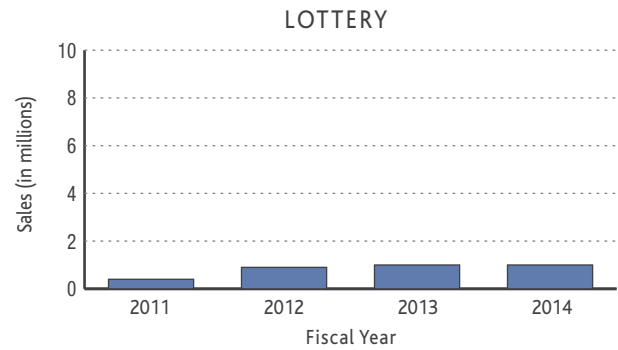
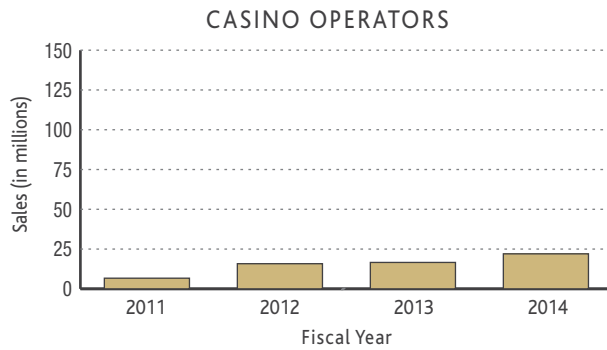


* Fiscal year 2011 was the first year for gross terminal revenue.

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
 FISCAL YEARS 2011 THROUGH 2014* (CONTINUED)**



CASINO AT OCEAN DOWNS

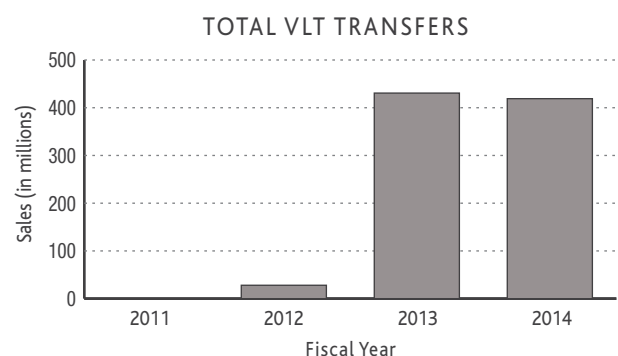
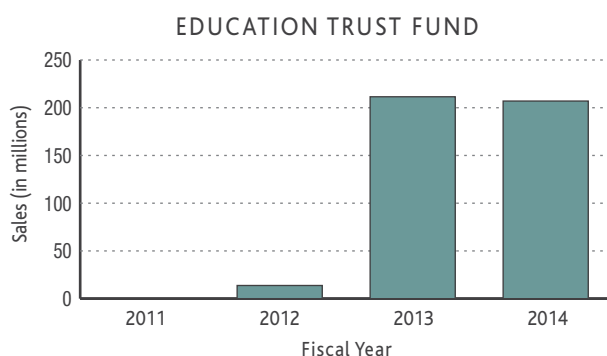
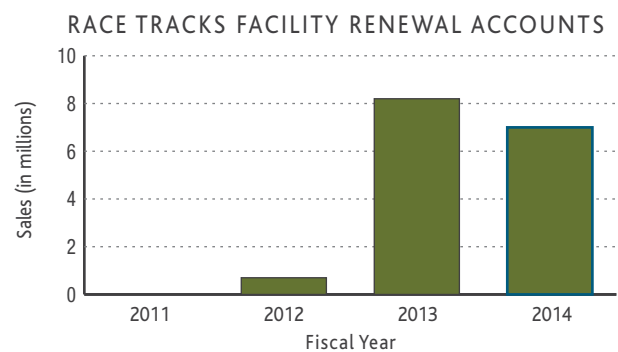
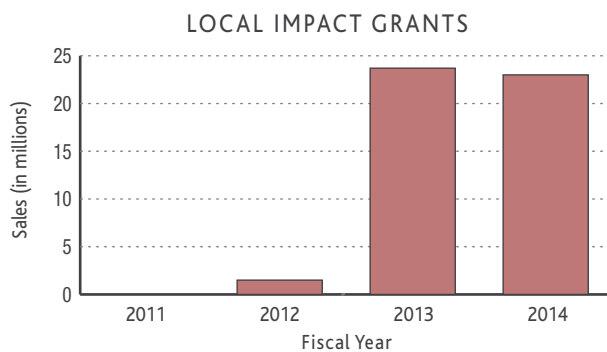
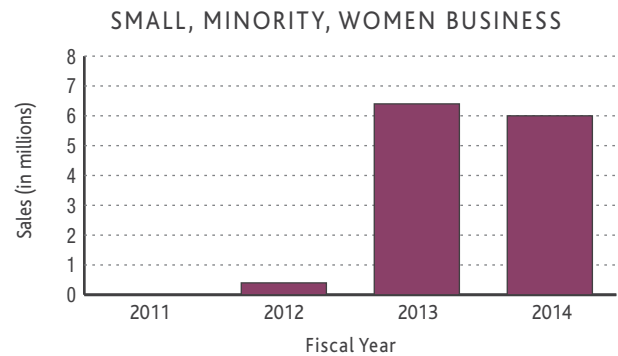
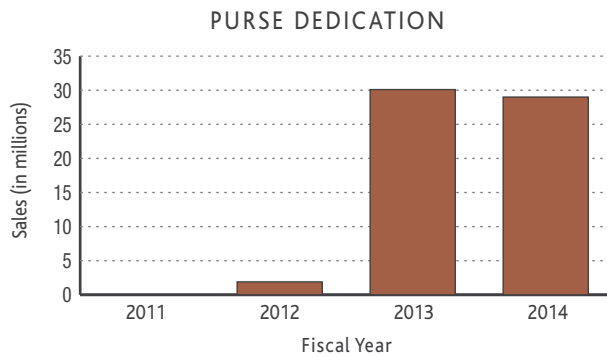
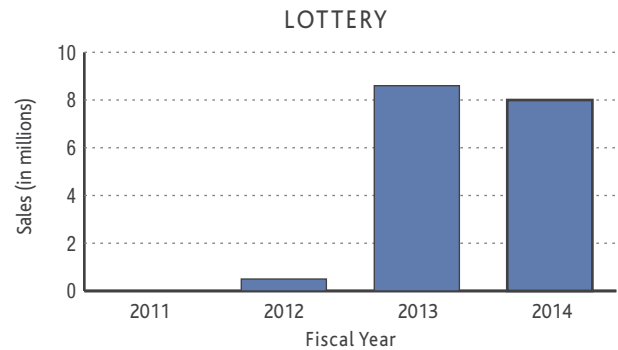
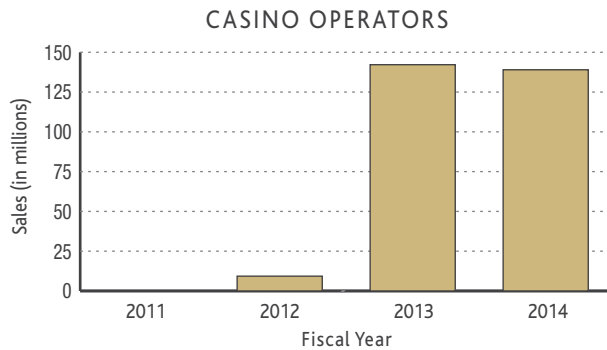


* Fiscal year 2011 was the first year for gross terminal revenue.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
FISCAL YEARS 2011 THROUGH 2014* (CONTINUED)**

MARYLAND LIVE! CASINO

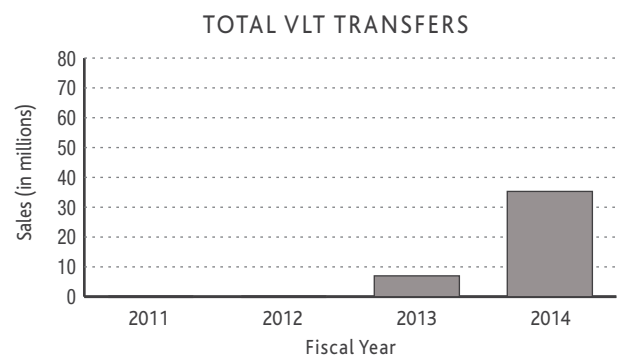
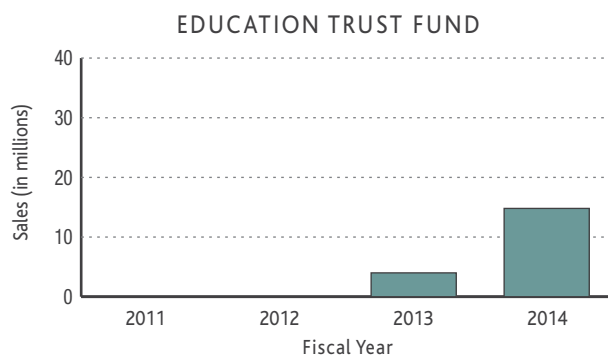
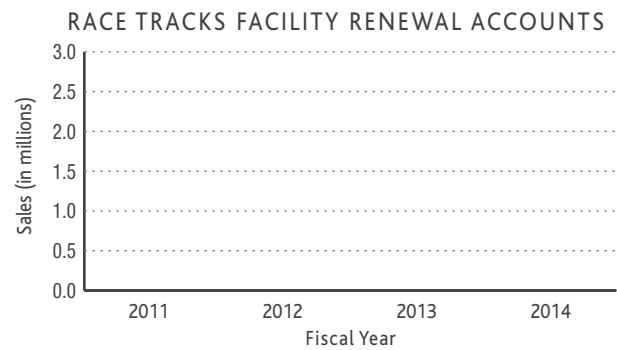
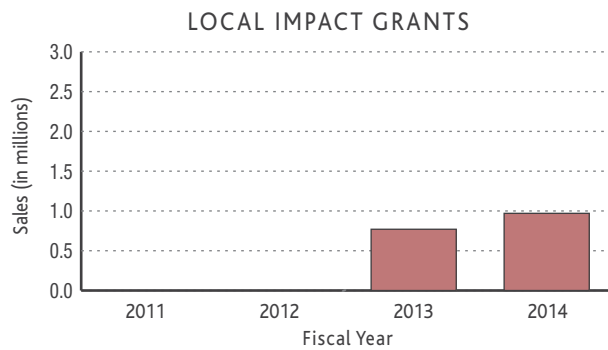
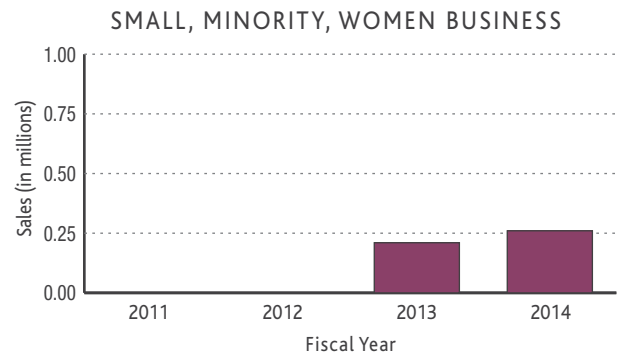
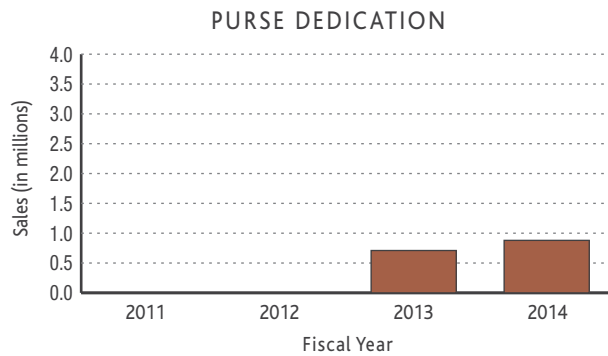
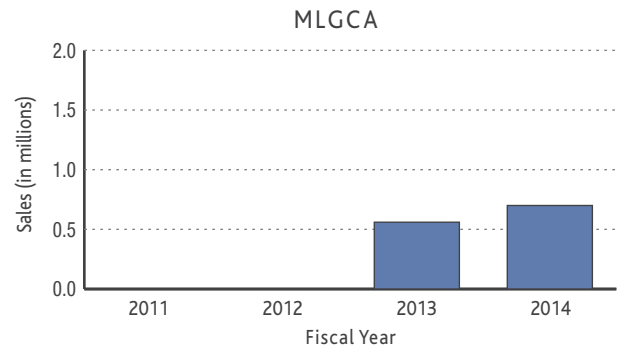
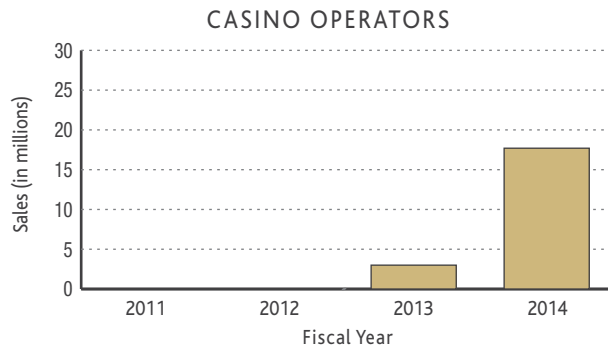


* Maryland Live! Casino began operation in June 2012.

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
 FISCAL YEARS 2011 THROUGH 2014* (CONTINUED)**



ROCKY GAP CASINO RESORT

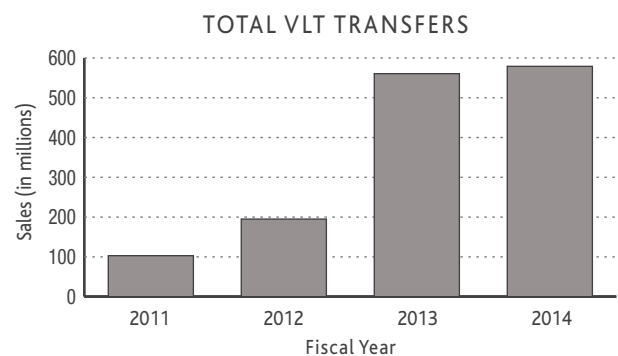
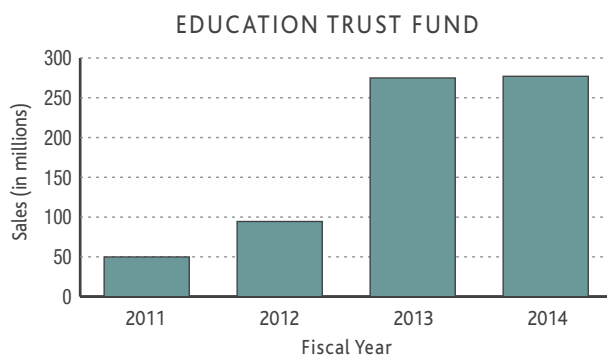
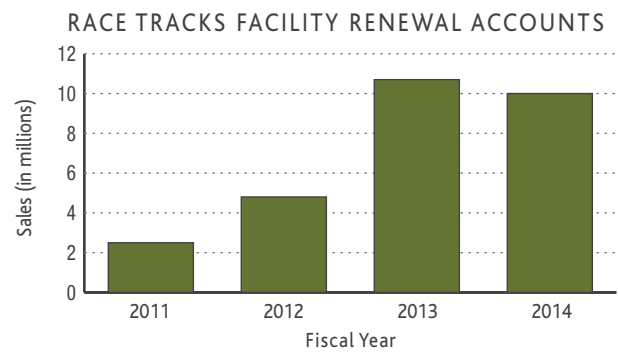
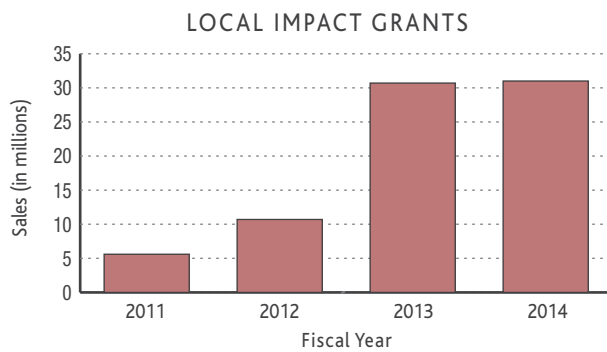
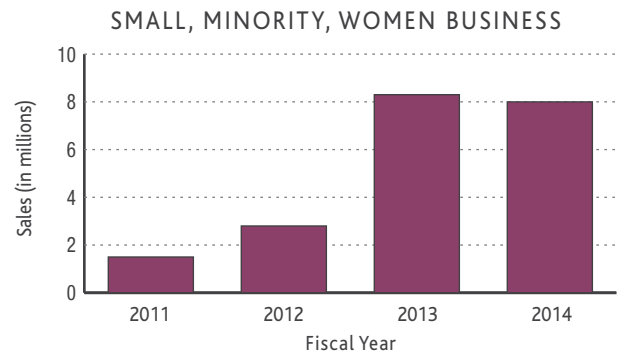
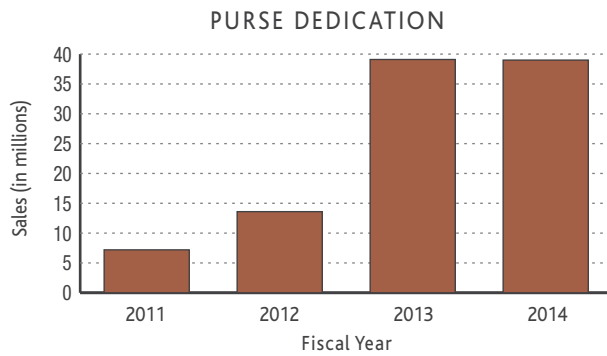
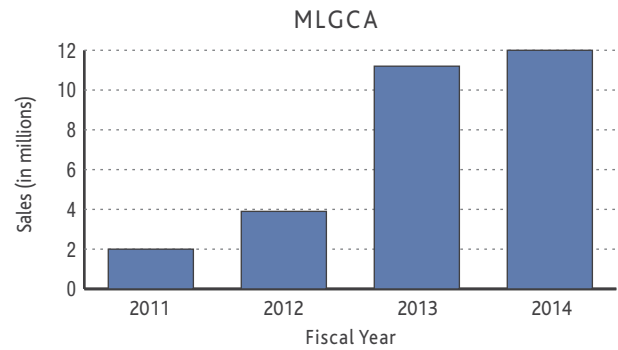
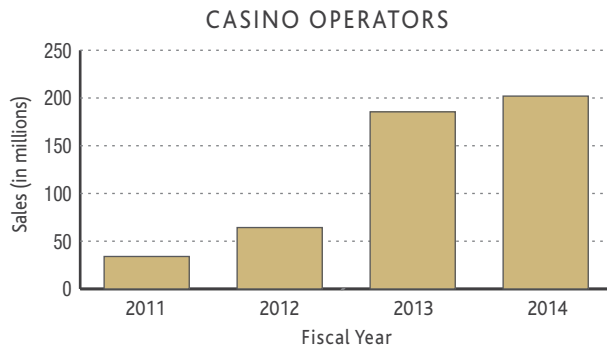


* Rocky Gap Casino Resort began operation in May 2013.



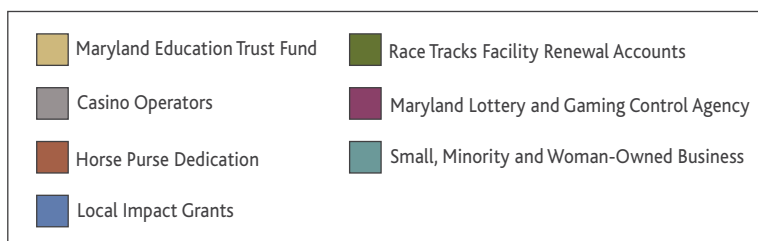
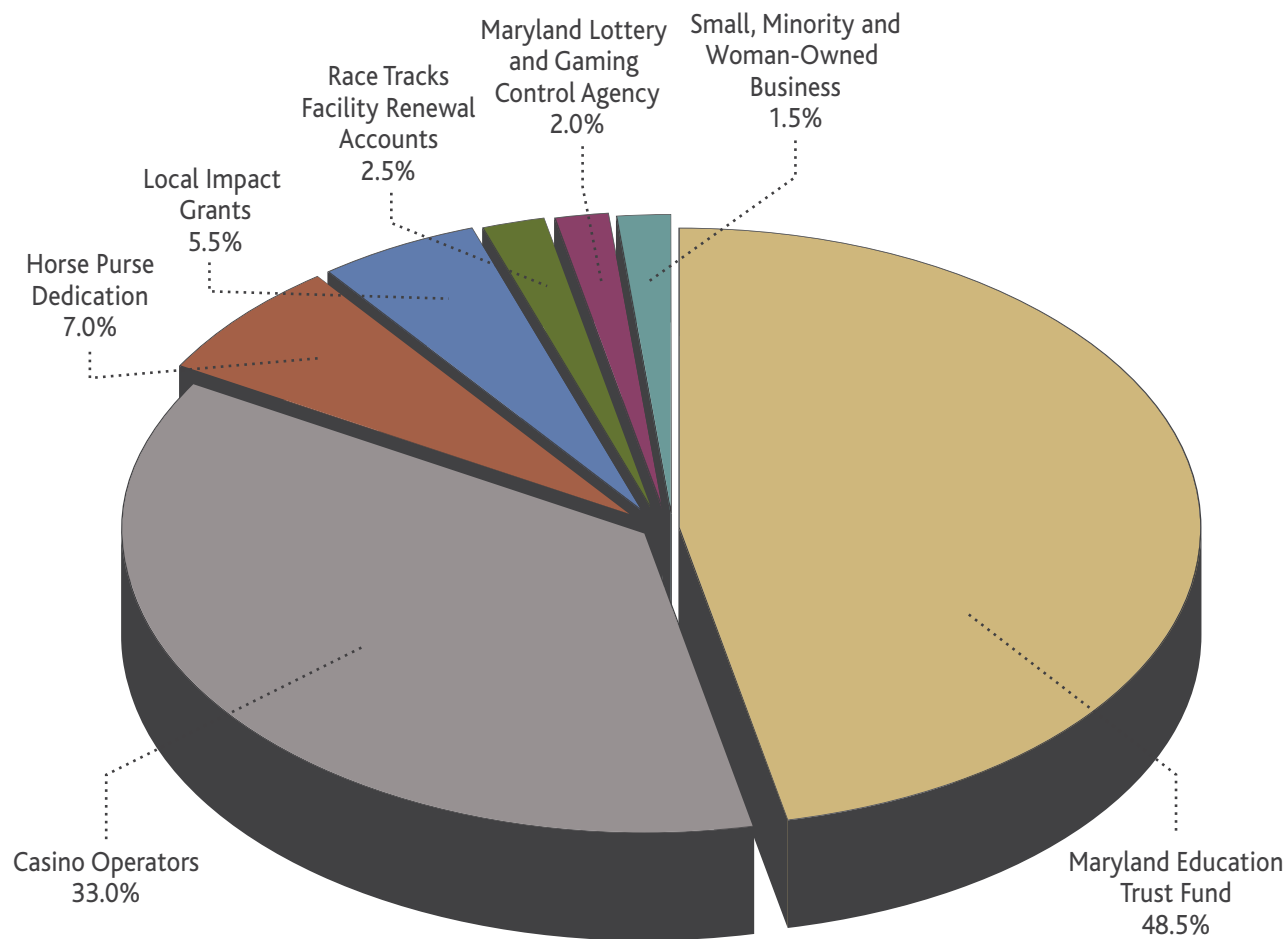
MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
 FISCAL YEARS 2011 THROUGH 2014* (CONTINUED)**

ALL CASINOS COMBINED



* Fiscal year 2011 was the first year for gross terminal revenue.

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**GROSS TERMINAL REVENUE DISTRIBUTIONS –
 FISCAL YEARS 2011 THROUGH 2014 (CONTINUED)**





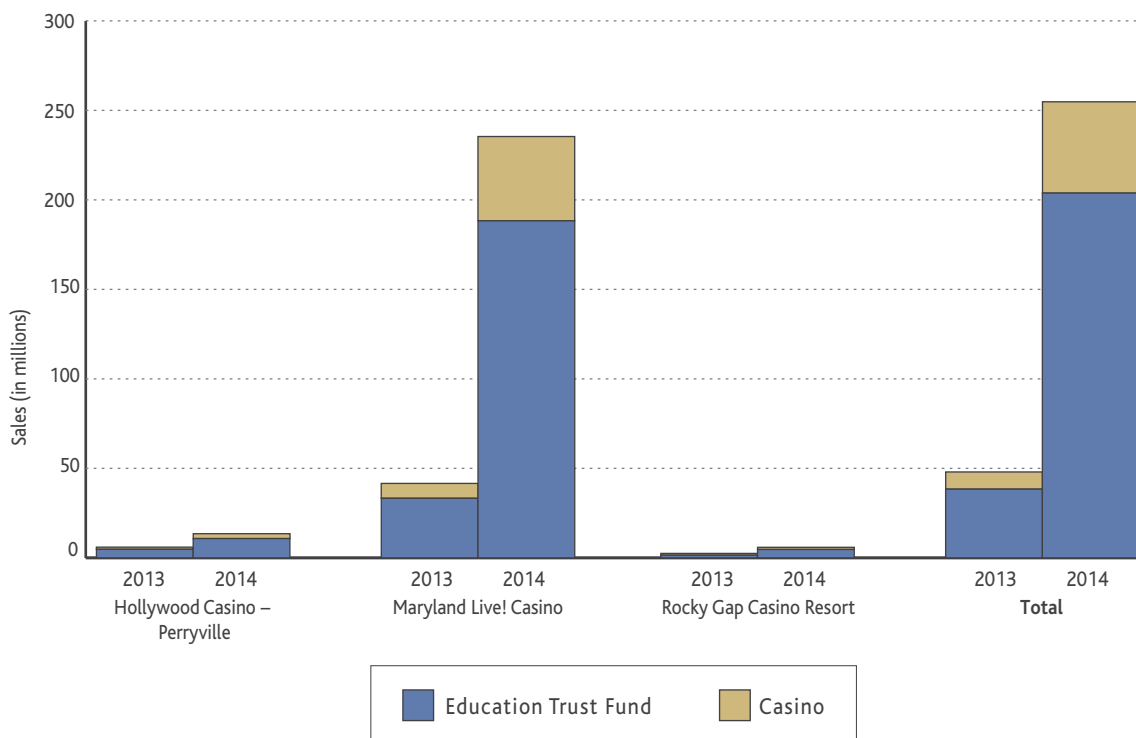
MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

TABLE GAME REVENUE DISTRIBUTION – FISCAL YEARS 2013 THROUGH 2014*

| Fiscal Year 2014 | | | | |
|----------------------|----------------------------------|--------------------------|----------------------------|-----------------------|
| | Hollywood Casino — Perryville | Maryland Live! Casino | Rocky Gap Casino Resort | Total |
| Education Trust Fund | \$ 2,713,278 | \$ 47,078,737 | \$ 1,181,901 | \$ 50,973,916 |
| Casino | 10,853,113 | 188,314,949 | 4,727,604 | 203,895,666 |
| Total | \$ 13,566,391 | \$ 235,393,687 | \$ 5,909,505 | \$ 254,869,582 |

| Fiscal Year 2013 | | | | |
|----------------------|----------------------------------|--------------------------|----------------------------|----------------------|
| | Hollywood Casino — Perryville | Maryland Live! Casino | Rocky Gap Casino Resort | Total |
| Education Trust Fund | \$ 1,191,443 | \$ 8,323,862 | \$ 92,254 | \$ 9,607,559 |
| Casino | 4,765,772 | 33,295,447 | 369,016 | 38,430,235 |
| Total | \$ 5,957,215 | \$ 41,619,309 | \$ 461,270 | \$ 48,037,794 |

TABLE GAME REVENUE DISTRIBUTION



* Fiscal year 2013 was the first year for table game revenue.

– As of June 30, 2014, the Casino at Ocean Downs had not implemented table games.

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
RETAILERS, POPULATION AND SALES BY REGION



Fiscal Year 2014

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|-----------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 60 | 468 | 752 | 69 | 31 | 134 | 91 | 148 |
| % of Total Retailers | 1.27% | 9.91% | 15.93% | 1.46% | 0.66% | 2.84% | 1.93% | 3.13% |
| Population | 73,521 | 555,743 | 823,015 | 90,484 | 32,693 | 167,564 | 101,913 | 152,864 |
| % of Total Population | 1.24% | 9.37% | 13.88% | 1.53% | 1.64% | 8.39% | 1.72% | 2.58% |
| % of Sales | 0.59% | 9.56% | 16.21% | 1.45% | 0.40% | 2.07% | 1.12% | 3.58% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|-----------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 33 | 155 | 36 | 186 | 167 | 17 | 435 | 616 |
| % of Total Retailers | 0.70% | 3.28% | 0.76% | 3.94% | 3.54% | 0.36% | 9.21% | 13.05% |
| Population | 32,660 | 241,409 | 29,889 | 249,215 | 304,580 | 19,944 | 1,016,677 | 890,081 |
| % of Total Population | 0.55% | 4.07% | 0.50% | 4.20% | 5.14% | 0.34% | 17.15% | 15.01% |
| % of Sales | 0.50% | 2.30% | 0.19% | 3.48% | 2.83% | 0.25% | 10.28% | 21.20% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|-----------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 57 | 100 | 21 | 34 | 126 | 81 | 107 | 797 |
| % of Total Retailers | 1.21% | 2.12% | 0.44% | 0.72% | 2.67% | 1.72% | 2.27% | 16.88% |
| Population | 48,517 | 109,633 | 26,273 | 37,931 | 149,588 | 100,896 | 51,620 | 622,104 |
| % of Total Population | 0.82% | 1.85% | 0.44% | 0.64% | 2.52% | 1.70% | 0.87% | 10.49% |
| % of Sales | 0.66% | 2.15% | 0.31% | 0.47% | 1.51% | 1.21% | 1.19% | 16.47% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2013

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 59 | 433 | 706 | 65 | 29 | 131 | 88 | 136 |
| % of Total Retailers | 1.32% | 9.67% | 15.77% | 1.45% | 0.65% | 2.93% | 1.97% | 3.04% |
| Population | 74,489 | 544,818 | 812,401 | 89,264 | 32,954 | 167,313 | 101,628 | 149,242 |
| % of Total Population | 1.28% | 9.33% | 13.91% | 1.53% | 1.67% | 8.48% | 1.74% | 2.56% |
| % of Sales | 0.60% | 9.74% | 16.05% | 1.45% | 0.42% | 2.03% | 1.17% | 3.46% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 28 | 155 | 31 | 175 | 160 | 16 | 411 | 580 |
| % of Total Retailers | 0.63% | 3.46% | 0.69% | 3.91% | 3.57% | 0.36% | 9.18% | 12.96% |
| Population | 32,703 | 237,309 | 30,097 | 246,651 | 293,879 | 20,265 | 991,645 | 874,045 |
| % of Total Population | 0.56% | 4.06% | 0.52% | 4.22% | 5.03% | 0.35% | 16.98% | 14.97% |
| % of Sales | 0.48% | 2.32% | 0.19% | 3.48% | 2.85% | 0.26% | 10.22% | 21.07% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 54 | 97 | 19 | 34 | 118 | 79 | 110 | 763 |
| % of Total Retailers | 1.21% | 2.17% | 0.42% | 0.76% | 2.64% | 1.76% | 2.46% | 17.04% |
| Population | 48,400 | 107,681 | 26,370 | 37,974 | 148,817 | 99,965 | 51,446 | 620,216 |
| % of Total Population | 0.83% | 1.84% | 0.45% | 0.65% | 2.55% | 1.71% | 0.88% | 10.62% |
| % of Sales | 0.67% | 2.14% | 0.35% | 0.49% | 1.62% | 1.15% | 1.23% | 16.58% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)



Fiscal Year 2012

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 64 | 462 | 749 | 72 | 32 | 142 | 96 | 143 |
| % of Total Retailers | 1.36% | 9.8% | 15.9% | 1.53% | 0.68% | 3.02% | 2.04% | 3.03% |
| Population | 75,087 | 537,656 | 805,029 | 88,737 | 33,066 | 167,134 | 101,108 | 146,551 |
| % of Total Population | 1.30% | 9.31% | 13.94% | 1.54% | 1.69% | 8.55% | 1.75% | 2.54% |
| % of Sales | 0.61% | 10.16% | 15.99% | 1.39% | 0.38% | 1.98% | 1.14% | 3.39% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 34 | 168 | 30 | 191 | 178 | 16 | 429 | 611 |
| % of Total Retailers | 0.72% | 3.57% | 0.64% | 4.05% | 3.78% | 0.34% | 9.10% | 12.97% |
| Population | 32,618 | 233,385 | 30,097 | 244,826 | 287,085 | 20,197 | 971,777 | 863,420 |
| % of Total Population | 0.56% | 4.04% | 0.52% | 4.24% | 4.97% | 0.35% | 16.83% | 14.95% |
| % of Sales | 0.50% | 2.23% | 0.19% | 3.52% | 2.94% | 0.23% | 10.15% | 20.86% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 52 | 100 | 22 | 34 | 123 | 79 | 108 | 777 |
| % of Total Retailers | 1.10% | 2.12% | 0.47% | 0.72% | 2.61% | 1.68% | 2.29% | 16.49% |
| Population | 47,798 | 105,151 | 26,470 | 37,782 | 147,430 | 98,733 | 51,454 | 620,961 |
| % of Total Population | 0.83% | 1.82% | 0.46% | 0.65% | 2.55% | 1.71% | 0.89% | 10.76% |
| % of Sales | 0.68% | 2.14% | 0.35% | 0.49% | 1.56% | 1.16% | 1.22% | 16.74% |

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MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2011

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 55 | 411 | 682 | 70 | 29 | 129 | 87 | 127 |
| % of Total Retailers | 1.30% | 9.73% | 16.14% | 1.66% | 0.69% | 3.05% | 2.06% | 3.01% |
| Population | 75,087 | 537,656 | 805,029 | 88,737 | 33,066 | 167,134 | 101,108 | 146,551 |
| % of Total Population | 1.30% | 9.31% | 13.94% | 1.54% | 1.69% | 8.55% | 1.75% | 2.54% |
| % of Sales | 0.66% | 10.27% | 16.23% | 1.42% | 0.39% | 2.01% | 1.15% | 3.36% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 32 | 146 | 27 | 169 | 151 | 14 | 390 | 560 |
| % of Total Retailers | 0.76% | 3.45% | 0.64% | 4.00% | 3.57% | 0.33% | 9.23% | 13.25% |
| Population | 32,618 | 233,385 | 30,097 | 244,826 | 287,085 | 20,197 | 971,777 | 863,420 |
| % of Total Population | 0.56% | 4.04% | 0.52% | 4.24% | 4.97% | 0.35% | 16.83% | 14.95% |
| % of Sales | 0.50% | 2.12% | 0.20% | 3.40% | 2.79% | 0.25% | 9.88% | 20.59% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 49 | 91 | 18 | 30 | 116 | 74 | 100 | 669 |
| % of Total Retailers | 1.16% | 2.15% | 0.43% | 0.71% | 2.74% | 1.75% | 2.37% | 15.83% |
| Population | 47,798 | 105,151 | 26,470 | 37,782 | 147,430 | 98,733 | 51,454 | 620,961 |
| % of Total Population | 0.83% | 1.82% | 0.46% | 0.65% | 2.55% | 1.71% | 0.89% | 10.76% |
| % of Sales | 0.68% | 2.06% | 0.34% | 0.48% | 1.51% | 1.28% | 1.37% | 17.05% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)



Fiscal Year 2010

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 57 | 454 | 711 | 73 | 29 | 141 | 94 | 142 |
| % of Total Retailers | 1.24% | 9.90% | 15.51% | 1.59% | 0.63% | 3.08% | 2.05% | 3.10% |
| Population | 72,532 | 521,209 | 789,814 | 89,212 | 33,367 | 170,089 | 100,796 | 142,226 |
| % of Total Population | 1.27% | 9.14% | 13.86% | 1.56% | 0.59% | 2.98% | 1.77% | 2.49% |
| % of Sales | 0.63% | 10.20% | 16.34% | 1.37% | 0.42% | 2.01% | 1.25% | 3.21% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 34 | 159 | 28 | 179 | 165 | 16 | 429 | 599 |
| % of Total Retailers | 0.74% | 3.47% | 0.61% | 3.90% | 3.60% | 0.35% | 9.36% | 13.07% |
| Population | 32,043 | 227,980 | 29,555 | 242,514 | 281,884 | 20,247 | 971,600 | 834,560 |
| % of Total Population | 0.56% | 4.00% | 0.52% | 4.26% | 4.95% | 0.36% | 17.05% | 14.64% |
| % of Sales | 0.50% | 2.11% | 0.19% | 3.54% | 2.74% | 0.25% | 9.74% | 20.10% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 53 | 103 | 21 | 33 | 121 | 78 | 112 | 753 |
| % of Total Retailers | 1.16% | 2.25% | 0.46% | 0.72% | 2.64% | 1.70% | 2.44% | 16.43% |
| Population | 47,958 | 102,999 | 25,959 | 36,262 | 145,910 | 94,222 | 49,122 | 637,418 |
| % of Total Population | 0.84% | 1.81% | 0.46% | 0.64% | 2.56% | 1.65% | 0.86% | 11.18% |
| % of Sales | 0.66% | 2.10% | 0.37% | 0.50% | 1.51% | 1.19% | 1.45% | 17.62% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2009

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 57 | 440 | 715 | 73 | 30 | 133 | 93 | 142 |
| % of Total Retailers | 1.26% | 9.72% | 15.79% | 1.61% | 0.66% | 2.94% | 2.05% | 3.14% |
| Population | 72,661 | 510,824 | 786,547 | 87,539 | 32,240 | 168,195 | 98,358 | 139,008 |
| % of Total Population | 1.33% | 9.32% | 14.35% | 1.60% | 0.59% | 3.07% | 1.79% | 2.54% |
| % of Sales | 0.59% | 10.20% | 16.07% | 1.40% | 0.44% | 1.97% | 1.17% | 3.20% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 38 | 154 | 26 | 175 | 159 | 16 | 421 | 590 |
| % of Total Retailers | 0.84% | 3.40% | 0.57% | 3.87% | 3.51% | 0.35% | 9.30% | 13.03% |
| Population | 31,468 | 222,034 | 29,649 | 238,960 | 270,651 | 19,197 | 873,341 | 801,515 |
| % of Total Population | 0.57% | 4.05% | 0.54% | 4.36% | 4.94% | 0.35% | 15.93% | 14.62% |
| % of Sales | 0.47% | 1.97% | 0.18% | 3.41% | 2.55% | 0.25% | 9.64% | 20.48% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 50 | 102 | 20 | 36 | 124 | 81 | 103 | 749 |
| % of Total Retailers | 1.10% | 2.25% | 0.44% | 0.80% | 2.74% | 1.79% | 2.28% | 16.55% |
| Population | 40,563 | 86,211 | 24,747 | 33,812 | 131,923 | 84,644 | 46,543 | 651,154 |
| % of Total Population | 1.10% | 2.25% | 0.44% | 0.80% | 2.74% | 1.79% | 2.28% | 16.55% |
| % of Sales | 0.61% | 2.19% | 0.37% | 0.50% | 1.45% | 1.22% | 1.43% | 18.22% |

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RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)



Fiscal Year 2008

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 53 | 378 | 600 | 59 | 27 | 116 | 83 | 116 |
| % of Total Retailers | 1.4% | 9.7% | 15.4% | 1.5% | 0.7% | 3.0% | 2.1% | 3.0% |
| Population | 72,594 | 512,154 | 788,994 | 88,223 | 32,910 | 169,220 | 99,695 | 140,444 |
| % of Total Population | 1.3% | 9.1% | 14.0% | 1.6% | 0.6% | 3.0% | 1.8% | 2.5% |
| % of Sales | 0.6% | 10.4% | 15.8% | 1.4% | 0.5% | 2.0% | 1.1% | 3.3% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 32 | 133 | 23 | 157 | 127 | 16 | 357 | 528 |
| % of Total Retailers | 0.8% | 3.4% | 0.6% | 4.0% | 3.3% | 0.4% | 9.2% | 13.5% |
| Population | 31,846 | 224,705 | 29,627 | 239,993 | 273,669 | 19,987 | 930,813 | 828,770 |
| % of Total Population | 0.6% | 4.0% | 0.5% | 4.3% | 4.9% | 0.4% | 16.6% | 14.8% |
| % of Sales | 0.5% | 2.1% | 0.2% | 3.4% | 2.4% | 0.3% | 9.6% | 20.3% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 43 | 94 | 17 | 31 | 111 | 69 | 89 | 639 |
| % of Total Retailers | 1.1% | 2.4% | 0.4% | 0.8% | 2.8% | 1.8% | 2.3% | 16.4% |
| Population | 46,571 | 100,378 | 26,016 | 36,193 | 145,113 | 93,600 | 49,374 | 637,455 |
| % of Total Population | 0.8% | 1.8% | 0.5% | 0.6% | 2.6% | 1.7% | 0.9% | 11.3% |
| % of Sales | 0.6% | 2.2% | 0.4% | 0.5% | 1.6% | 1.3% | 1.6% | 18.1% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2007

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 52 | 360 | 586 | 52 | 26 | 114 | 81 | 114 |
| % of Total Retailers | 1.3% | 9.2% | 15.0% | 1.3% | 0.7% | 2.9% | 2.1% | 2.9% |
| Population | 72,831 | 509,300 | 787,384 | 88,804 | 32,617 | 170,260 | 99,506 | 140,416 |
| % of Total Population | 1.3% | 9.1% | 14.0% | 1.6% | 0.6% | 3.0% | 1.8% | 2.5% |
| % of Sales | 0.7% | 10.5% | 15.4% | 1.4% | 0.5% | 1.9% | 1.0% | 3.5% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 32 | 131 | 22 | 154 | 127 | 16 | 340 | 516 |
| % of Total Retailers | 0.8% | 3.4% | 0.6% | 4.0% | 3.3% | 0.4% | 8.7% | 13.2% |
| Population | 31,631 | 222,938 | 29,859 | 241,402 | 272,452 | 19,983 | 932,131 | 841,315 |
| % of Total Population | 0.6% | 4.0% | 0.5% | 4.3% | 4.8% | 0.4% | 16.6% | 15.0% |
| % of Sales | 0.5% | 2.1% | 0.2% | 3.4% | 2.3% | 0.3% | 9.1% | 20.4% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 38 | 87 | 19 | 29 | 104 | 70 | 83 | 614 |
| % of Total Retailers | 1.0% | 2.2% | 0.5% | 0.7% | 2.7% | 1.8% | 2.1% | 15.8% |
| Population | 46,241 | 98,854 | 25,774 | 36,062 | 143,748 | 91,987 | 48,866 | 631,366 |
| % of Total Population | 0.8% | 1.8% | 0.5% | 0.6% | 2.6% | 1.6% | 0.9% | 11.2% |
| % of Sales | 0.6% | 2.4% | 0.4% | 0.5% | 1.6% | 1.3% | 1.7% | 18.6% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)



Fiscal Year 2006

| | Allegany County | Anne Arundel County | Baltimore County | Calvert County | Caroline County | Carroll County | Cecil County | Charles County |
|--------------------------|--------------------|---------------------------|---------------------|-------------------|--------------------|-------------------|-----------------|-------------------|
| # of Retailers | 50 | 355 | 571 | 51 | 25 | 106 | 77 | 108 |
| % of Total Retailers | 1.40% | 9.60% | 15.50% | 1.40% | 0.70% | 2.90% | 2.10% | 2.90% |
| Population | 73,245 | 509,397 | 783,405 | 87,622 | 31,805 | 168,397 | 97,474 | 138,106 |
| % of Total Population | 1.30% | 9.10% | 14.00% | 1.60% | 0.60% | 3.00% | 1.70% | 2.50% |
| % of Sales | 0.70% | 10.40% | 15.30% | 1.50% | 0.40% | 1.90% | 1.10% | 3.30% |

| | Dorchester County | Frederick County | Garrett County | Harford County | Howard County | Kent County | Montgomery County | Prince George's County |
|--------------------------|----------------------|---------------------|-------------------|-------------------|------------------|----------------|----------------------|------------------------------|
| # of Retailers | 28 | 133 | 21 | 156 | 122 | 15 | 343 | 507 |
| % of Total Retailers | 0.80% | 3.60% | 0.60% | 4.20% | 3.30% | 0.40% | 9.30% | 13.80% |
| Population | 31,351 | 220,409 | 29,863 | 238,850 | 269,174 | 19,908 | 927,405 | 842,764 |
| % of Total Population | 0.60% | 3.90% | 0.50% | 4.30% | 4.80% | 0.40% | 16.50% | 15.00% |
| % of Sales | 0.50% | 2.20% | 0.20% | 3.40% | 2.30% | 0.30% | 9.30% | 20.40% |

| | Queen Anne's County | St. Mary's County | Somerset County | Talbot County | Washington County | Wicomico County | Worcester County | Baltimore City |
|--------------------------|---------------------------|----------------------|--------------------|------------------|----------------------|--------------------|---------------------|-------------------|
| # of Retailers | 37 | 79 | 18 | 28 | 102 | 71 | 81 | 600 |
| % of Total Retailers | 1.00% | 2.10% | 0.50% | 0.80% | 2.80% | 1.90% | 2.20% | 16.30% |
| Population | 45,469 | 96,868 | 25,666 | 35,630 | 141,563 | 90,252 | 48,599 | 636,377 |
| % of Total Population | 0.80% | 1.70% | 0.50% | 0.60% | 2.50% | 1.60% | 0.90% | 11.30% |
| % of Sales | 0.60% | 2.20% | 0.40% | 0.50% | 1.70% | 1.20% | 1.70% | 18.60% |

Note: Information is accumulated and retained in this format only for fiscal years 2006–2014. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
MARYLAND'S LARGEST PRIVATE EMPLOYERS

2014 and 2013

Employer (listed alphabetically)

Giant Food Stores
 Helix Health System, Inc.
 Home Depot
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway
 Target
 University of Maryland Medical
 Systems
 WalMart Associates

2012 and 2011

Employer (listed alphabetically)

Giant Food Stores
 Helix Health System, Inc.
 Home Depot
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway
 Target
 University of Maryland Medical
 Systems
 Wal-Mart/Sam's Club

2010 and 2009

Employer (listed alphabetically)

Adventist Health Care
 Giant Food Stores
 Helix Health System, Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway
 Target
 University of Maryland Medical
 Systems
 Wal-Mart/Sam's Club

2008 and 2007

Employer (listed alphabetically)

Giant of Maryland, LLC
 Helix Health System, Inc.
 Home Depot USA, Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Macy's
 Northrop Grumman Corporation
 Safeway, Inc.
 Target Corporation
 University of Maryland Medical
 Systems
 United Parcel Service
 Wal-Mart

2006 and 2005

Employer (listed alphabetically)

Giant of Maryland, LLC
 Helix Health System, Inc.
 Home Depot USA, Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway, Inc.
 Target
 United Parcel Service
 Wal-Mart

Source: Department of Labor, Licensing and Regulation; Division of Workforce Development and Adult Learning.
 Information reported on a calendar basis. The number of employees is not available.

**RATIO OF OUTSTANDING DEBT BY TYPE –
FISCAL YEARS 2005 THROUGH 2014**


| Fiscal Year | Capital Leases | Percentage of Annual Lottery Sales |
|-------------|----------------|---------------------------------------|
| 2005 | \$ 1,672,615 | 0.10% |
| 2006 | 1,255,713 | 0.08% |
| 2007 | 1,123,995 | 0.07% |
| 2008 | 648,070 | 0.04% |
| 2009 | 5,748,257 | 0.34% |
| 2010 | 5,261,122 | 0.31% |
| 2011 | 4,094,609 | 0.24% |
| 2012 | 2,933,939 | 0.16% |
| 2013 | 1,780,253 | 0.10% |
| 2014 | 600,149 | 0.00% |

| Fiscal Year | VLT Capital Leases | Percentage of Gross Terminal Revenue |
|-------------|-----------------------|--|
| 2005 | \$ – | –% |
| 2006 | – | –% |
| 2007 | – | –% |
| 2008 | – | –% |
| 2009 | – | –% |
| 2010 | – | –% |
| 2011 | 40,791,831 | 39.60% |
| 2012 | 53,278,861 | 27.30% |
| 2013 | 29,242,927 | 5.22% |
| 2014 | 16,880,000 | 2.91% |

Fiscal year 2011 was the first year for VLT Capital Leases and annual gross terminal revenue.

In the future, the MLGCA is only authorized to issue additional debt associated with the acquisition of capital assets.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
**DEMOGRAPHIC AND ECONOMIC STATISTICS –
 FISCAL YEARS 2005 THROUGH 2014**

| Fiscal Year | Statewide Population ⁽¹⁾ | Statewide Personal Income ⁽²⁾ (expressed in thousands) | Statewide Per Capita Personal Income | Unemployment Rate ⁽³⁾ |
|-------------|-------------------------------------|--|--------------------------------------|----------------------------------|
| 2005 | 5,558,058 | \$ 218,137,769 | \$ 39,248 | 4.20% |
| 2006 | 5,600,388 | 235,195,668 | 41,996 | 3.80% |
| 2007 | 5,615,727 | 247,525,909 | 44,077 | 3.90% |
| 2008 | 5,618,344 | 262,071,799 | 46,646 | 3.70% |
| 2009 | 5,633,597 | 270,923,822 | 48,091 | 5.90% |
| 2010 | 5,699,478 | 275,143,448 | 48,275 | 7.40% |
| 2011 | 5,773,552 | 283,919,505 | 49,070 | 7.00% |
| 2012 | 5,828,289 | 295,235,516 | 50,656 | 6.80% |
| 2013 | 5,884,563 | 316,681,620 | 53,816 | 6.80% |
| 2014 | 5,773,552 | 323,543,299 | 56,038 | 6.00% |

Sources:

- (1) U.S. Department of Commerce, Bureau of Census — “Annual Population Estimates by State”
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data provided is for the second quarter of 2014.
- (3) State Department of Labor, Licensing and Regulation – Average rate for 2014

LOTTERY EMPLOYEES – FISCAL YEARS 2005 THROUGH 2014



| | Number of Employees (includes contractual) | | | | | | | | | |
|---|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| As of June 30, | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Agent Administration | 6 | 6 | 6 | 5 | 5 | 7 | 7 | 7 | 5 | 5 |
| Commissioners* | – | – | – | – | – | – | – | – | 7 | 7 |
| Communications | 17 | 19 | 21 | 25 | 24 | 24 | 22 | 22 | 25 | 24 |
| Customer Service | 14 | 13 | 13 | 12 | 12 | 12 | 9 | 9 | 10 | 10 |
| Executive | 6 | 5 | 6 | 6 | 6 | 8 | 6 | 6 | 9 | 9 |
| Facilities | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 4 | 4 |
| Finance, Budget & Procurement and Special Projects | 17 | 16 | 15 | 15 | 15 | 14 | 16 | 16 | 23 | 24 |
| Information Technology | 23 | 24 | 24 | 24 | 24 | 24 | 27 | 27 | 18 | 21 |
| Instant Ticket Warehouse | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 |
| Legal Services | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 8 | 8 |
| Personnel | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 4 |
| Product Development & Creative Services | 10 | 9 | 9 | 8 | 10 | 9 | 8 | 8 | 12 | 13 |
| Sales | 61 | 60 | 61 | 63 | 61 | 60 | 61 | 61 | 60 | 61 |
| Security | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 8 | 8 |
| Gaming | – | – | – | – | 1 | 3 | 36 | 36 | 94 | 124 |
| Total | 181 | 179 | 182 | 185 | 186 | 189 | 218 | 218 | 294 | 328 |

*Effective with the Gaming Expansion Act, the MLGCA Commissioners became positioned employees.



MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY
OPERATING INDICATORS – FISCAL YEARS 2005 THROUGH 2014

Percentage of Lottery Administrative Expenses to Sales

| Fiscal Year | Sales | Administrative Expenses | Percentage of Administrative Expenses to Sales |
|-------------|------------------|-------------------------|--|
| 2005 | \$ 1,485,732,850 | \$ 51,360,638 | 3.46% |
| 2006 | 1,560,905,784 | 54,468,221 | 3.49% |
| 2007 | 1,577,311,065 | 54,832,655 | 3.48% |
| 2008 | 1,673,038,728 | 58,845,991 | 3.52% |
| 2009 | 1,698,074,056 | 59,365,645 | 3.50% |
| 2010 | 1,706,572,575 | 57,965,833 | 3.40% |
| 2011 | 1,714,402,578 | 53,221,207 | 3.10% |
| 2012 | 1,794,892,455 | 53,856,627 | 3.00% |
| 2013 | 1,756,119,267 | 54,699,834 | 3.10% |
| 2014 | 1,723,990,568 | 56,552,165 | 3.28% |

Administrative expenses includes operating expenses, gaming vendor and data processing fees, and instant ticket printing and delivery.

**CAPITAL ASSETS, NET INFORMATION –
FISCAL YEARS 2005 THROUGH 2014**


| | Lottery Equipment | Data Processing Equipment | Office Equipment | Leasehold Improvements | VLTs | Total Capital Assets |
|------|----------------------|---------------------------------|---------------------|---------------------------|------------|-------------------------|
| 2005 | \$ 1,378,351 | \$ 117,872 | \$ 157,802 | \$ 454,819 | \$ – | \$ 2,108,844 |
| 2006 | 974,544 | 81,970 | 98,578 | 393,495 | – | 1,548,587 |
| 2007 | 574,116 | 281,518 | 277,504 | 332,171 | – | 1,465,309 |
| 2008 | 173,689 | 202,273 | 190,553 | 270,847 | – | 837,362 |
| 2009 | 5,310,349 | 132,433 | 125,456 | 209,523 | – | 5,777,761 |
| 2010 | 4,192,381 | 65,926 | 63,182 | 148,199 | – | 4,469,688 |
| 2011 | 3,074,412 | 9,418 | 4,860 | 86,875 | 35,258,146 | 38,433,711 |
| 2012 | 1,956,444 | – | – | 25,551 | 47,247,813 | 49,229,808 |
| 2013 | 838,476 | – | – | – | 22,987,684 | 23,826,160 |
| 2014 | – | – | – | – | 10,525,562 | 10,525,562 |

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MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY, AN ENTERPRISE FUND OF THE STATE OF MARYLAND
Comprehensive Annual Financial Report for the Years Ended June 30, 2014 and 2013.





**MARYLAND LOTTERY AND
GAMING CONTROL AGENCY**

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